THE MAGAZINE OF WALL STREET and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 94, No. 2 April 17, 1954

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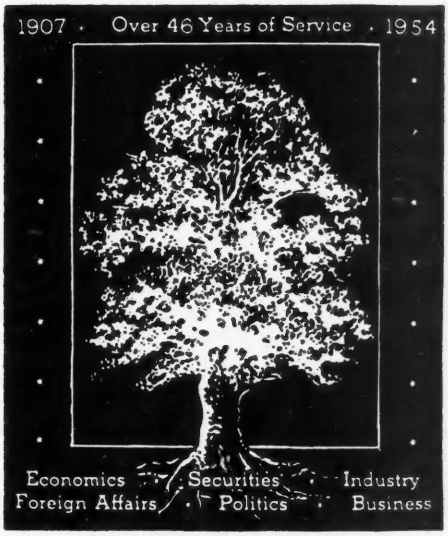
THE MAGAZINE OF WALL STREET

C. G. Wyckoff, *Editor-Publisher*



The Trend of Events

A CHALLENGE TO BUSINESS . . . In the fifteen months since the present Administration took office, business has had proof that the government, with the aid of a start toward the necessary legislation, has not failed to provide a more favorable climate for free enterprise. Perhaps the most justifiable complaint of business against the Fair and New Deals was that its freedom in that period was highly restricted in a setting of mounting government interference and control.

Under the new auspices, business has less of a reason to complain. The changeover in attitude between the two concepts of government as between the previous Democratic regimes and the present Republican administration has been exemplified by the passage of off-shore oil legislation, the end of excess profits taxes, pending legislation to liberalize depreciation allowances, the proposed ending of old inequities in the tax law and a far less hostile view of private power operation.

In general, the Administration is carrying out its promise to withdraw as much as possible from undue regulation of and competition with private industry. Business is thus offered the opportunity it has sought of operating in reasonable freedom from government supervision and control. The assumption is that business has learned some lessons from the past and that it realizes it has national responsibility as well as one to its own private interests. Primarily it has the job of seeing that employment at good wages is maintained at the highest possible level. This the nation expects. In other words, business must use statesmanship and vision in its plans for the future. A narrow concept of the need for profits as against a broader concept of national welfare could militate against genuine economic prosperity in a period of transition such as the present. This is a challenge which private enterprise must accept if it is to receive the thoroughly secure place in our national life that it has craved and which has been denied to it for so long.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

FRANCE CANNOT DECIDE . . . Friends of France, of whom there are mililons in this country, cannot help but view the present political spectacle in that country with the deepest concern. Many believe that after having been bled white in two wars, and now in the terrible struggle in Indo-china, she has lost her ancient capacity to revive even after the most prolonged travail. Whether this is true at bottom, or not, it is undoubted that she no longer occupies her former honored and respected place in the family of European nations. On the verge of internecine strife, she gives every appearance of a nation succumbing from within to endless division of the people. The last straw is the defiance of the government by Marshall Juin. The French should take heed. They have every reason to fear the possibility of the emergence of another "man on horseback".

TAX RELIEF ON DIVIDENDS . . . Passage of the House bill granting tax relief on dividend income is most welcome to millions of American stockholders. Aside from the personal benefits that will arise from reducing double taxation on dividends, national economic gains should be quite substantial over the long term.

Critics of proposed tax relief take their stand on two grounds: one, that relief from double taxation "favors the rich" and, second that the Treasury will lose needed revenue, thus tending to further imbalance the budget. As to the first point, all that need be said is that even the minimum $50 saved annually in taxes by small stockholders (savings can run considerably higher in individual cases) bulks larger in the average family budget than the thousands saved by large investors, so that the cry that the rich are especially served seems specious.

As to the second point; admittedly there will be a loss of several hundred million annually to the Treasury but this can be compensated for. For example corporate revenue segregated for payment of bond interest is non-taxable. Hence, the government already has been losing considerable tax revenue. On the other hand, under the impetus of tax relief on dividends, corporations will be better able to finance through stocks than bonds. Under these new conditions, corporate revenues would be fully taxable, so that the government would eventually find a substantial accretion in taxes, quite likely more than enough to compensate for the envisaged loss in dividend tax revenue. It is, therefore, obvious that criticisms of proposed legislation to give tax relief to stockholders is substantially without foundation and that the legislation should be passed as a matter of general as well as individual benefit.

PORTABLE ATOMIC POWER PLANTS . . . Announcement that one of the major manufacturers of electronic products has entered into an agreement with the Atomic Energy Commission for a one-year-study of industrial possibilities of atomic power and its byproducts has not received as much notice as it deserves.

Undoubtedly, this represents an important step forward in the intial phases of harnessing atomic power to industrial use. The fact that this company is willing to undertake the full expenses of investigation would seem to indicate that it believes the practical results will be worth while in a comparatively short time.

Part of the research program will be devoted to designing mobile atomic power plants, small enough to be moved from one part of the country to another. Aside from the obvious need of such equipment in instances where normal service has been interrupted in disaster areas and in military operations requiring power otherwise unobtainable, it opens up an entirely new vista for isolated regions of the country where the cost of laying of power lines has been prohibitive.

Many other uses of industrial use of atomic energy undoubtedly will be developed, some of them of a type as yet undreamed of. In the meantime, according to the development we have described, it is now possible to visualize some of the practical uses to which atomic power can be put in the not distant future.

STOCKHOLDER'S COURTESY . . . The Magazine of Wall Street has more than once remarked upon the duties of management toward stockholders in the matter of annual reports. With annual meeting time upon us, it is timely to remind the stockholder that he owes his management a duty too.

The habit of management baiting, which used to be too difficult, and under the New Deal was made far too easy, is widespread. Questions, which are really innuendoes of nepotism or worse, are sent to management year after year, and under current SEC rules must be mentioned in proxy statements and voted down just as regularly. The notoriety seekers who do these things are not deterred by the discomfort of the directors and executives who must suffer under these ill-mannered affronts. They glory in it.

Perhaps if the other stockholders present when one of these exhibitionists puts on his tasteless show would speak up with a forthright rebuke for wasting the company's time—and the executives' and stockholders' time—it might give the professional nuisances something to think about.

The minimum courtesy a stockholder can extend to his management is to read his annual report when he gets it, and to return his proxy when he gets that. This doesn't mean rubber stamping what management has done, or acceding to every proxy proposal. If there is something the stockholder doesn't understand, or something of which he disapproves, it is his duty as well as his right to express himself. The eye of the owner fattens the ox; a good management will be encouraged, and an indifferent management will be moved to mend its way, if it is made plain that the stockholder is interested in what is happening to his property.

In any case, the proxy should be returned. If opposition is in order, it can be indicated on the proxy. The largest corporations scan these proxies with care, and high executives are assigned to the task of answering such complaints. Merely to withhold the proxy gives no indication whether opposition or indifference is to blame. Enough missing proxies mean the corporation cannot function; a new and often costly attempt to get a majority of votes must be made.

Customers' representatives and other possessors of other people's stocks are under a particular obligation to see that the beneficial owners of stock are urged to take part in the annual meeting. That is the forum of the stockholder. Many safeguards have been thrown about his participation in the affairs of his company, but there is no safeguard against his own wilfull neglect.

Persons who want to misuse stockholders' meeting for their own selfish purposes can always be depended upon to turn out. The stockholder of good will must be there, too, if only by proxy.

HIGHER BANK PROFITS . . . Mixed profits trends for industry and business, generally, have thus far not been carried over into banking. In contrast, first quarter bank returns, (*Please turn to page* 144)

As I See It!

By E. D. KING

THE PRESIDENT TELLS AMERICA TO AVOID FEAR

Against the formidable backdrop of experimental H-bomb explosions, the President the other night delivered a much needed reminder to the American people that, of all nations on earth, they had less reason than any to give way to unreasoning fear. President Eisenhower spoke simply and informally and, through the magic of TV, was able to register the full force of his appealing personality. Perhaps it was this unaffected approach, even more than the words he spoke, that made such a great impression. In any case, the President put things in their proper perspective so that the people, in gaining a better understanding of the reasons for the perplexities of this rapidly moving age, could not only give more intelligent support to their government but, even more important, place themselves in the frame of mind required to meet the challenge of the times with courage.

"MOVE OVER, PAL"

Loring in The Evening Bulletin

Permeating the President's talk was the sense of his fundamental reliance on the spiritual and moral values which have made this country great. In pressing forward his implicit appeal to the people that they re-energize these values, he points out the path that must be taken if we are to preserve our unity at home and face our enemies abroad.

On the material side, the President wisely reminds us that we possess a physical and economic strength which is unmatched in the world and, on which we can rely, to counter whatever threats our enemies may have in store for us, now or later.

In the frankest manner, the Chief Executive enumerates our fears: fear of the H-bomb; fear of communism at home and abroad; fear of ourselves; fear of a depression. Without attempting in any way to minimize these dangers, he points to the ample and practical weapons we have in hand to meet these great problems.

With regard to Russia and the H-bomb, he calls attention to "the sobering effect of the risks of war upon the men in the Kremlin." But, in the extreme event that these dictators lose their heads and unleash a war, we at least have abundant and terrible means of instant retaliation. Perhaps this may not give us too much satisfaction, for obvious reasons, but at least it compels the people to look at the situation in its true proportions. The President expects us, as a mature people, to face up to the implications with faith and courage. We can do no less than follow his precept.

On the domestic front, the President bluntly states that fear of a depression is unwarranted. His reference to prophets of economic doom is pointed, even though couched in characteristically mild terms. The President does not merely ask that the people show greater confidence in the economic outlook but cites valid reasons for doing so, without attempting to gloss over any difficulties that we may now be facing. He cites the factors that should restore economic progress and promises that if the downturn should, against his expectations, become marked he will not hesitate to throw into the scales, the enormous resources of the government.

He specifies substantial tax relief, that already effected through legislation, and more to come, if the government deems this urgent: he specifies farm relief, and public works—all potent aids to the economy.

Altogether, the President's talk to the people was necessary at this time for there is no use denying that we have been allowing ourselves to succumb to too many fears. This is not like America, as the President reminds us. Let us hearken to his moving words; let us stand up on our feet like men and deal courageously and intelligently with the problems as they come.

Market Continues To Feature Individual Trends

Stock prices advanced further, under industrial leadership, over the last fortnight. The movement is becoming somewhat more speculative, with increasing interest in a number of secondary issues and with trading activity broadened. This necessarily means increasing need for discrimination. Our policy therefore remains conservatively selective.

By A. T. MILLER

The market's pace is getting somewhat more hectic, the gyrations sharper from day to day and week to week, the trading volume larger. Within the last three weeks there were two sizable sell-offs, running from one to several days, but each was quickly reversed and followed rebounds. In one trading session early last week the Dow industrial average had a spill of nearly 3 points, but in the subsequent three sessions to the week end there was a rise of more than 5 points. On balance, the average rose substantially further over the last fortnight, closing last week at the highest level in a great many years at 309.39.

This makes an advance of some 54 points, or about 21%, from the low of last September, in a period of slightly less than seven months. It has, of course, more than made up the nearly nine months of decline which ran from early-January, 1953, to last September in anticipation of the business recession, which now may have run a good part of its course to date to the accompaniment of a rising stock market. In what is presumptively a new industrial and utility bull-market, which has so far by-passed rails, the industrial average has bettered its January, 1953, bull-market top by roughly 13 points. The rail average remains almost that many points (about 11) under its comparable prior major high; has not yet even bettered its post-September recovery high attained on February 12; but was up last week and on the fortnight in a quite irregular performance.

Obviously, market performance means that, on balance, investors and speculators are still more willing to hold or buy stocks than to sell. Stocks are getting progressively less cheap. Quite a few begin to look "far up there." But unlike most other things, the more expensive stocks get in price, the more is the demand—until a vulnerable position is created and a decline of more or less importance ensues. In the market up to a point which is always conjectural and debatable until it has been passed, success feeds on success. Watching the market rise month after month and noting that reactions to date have not amounted to much, many people want to buy.

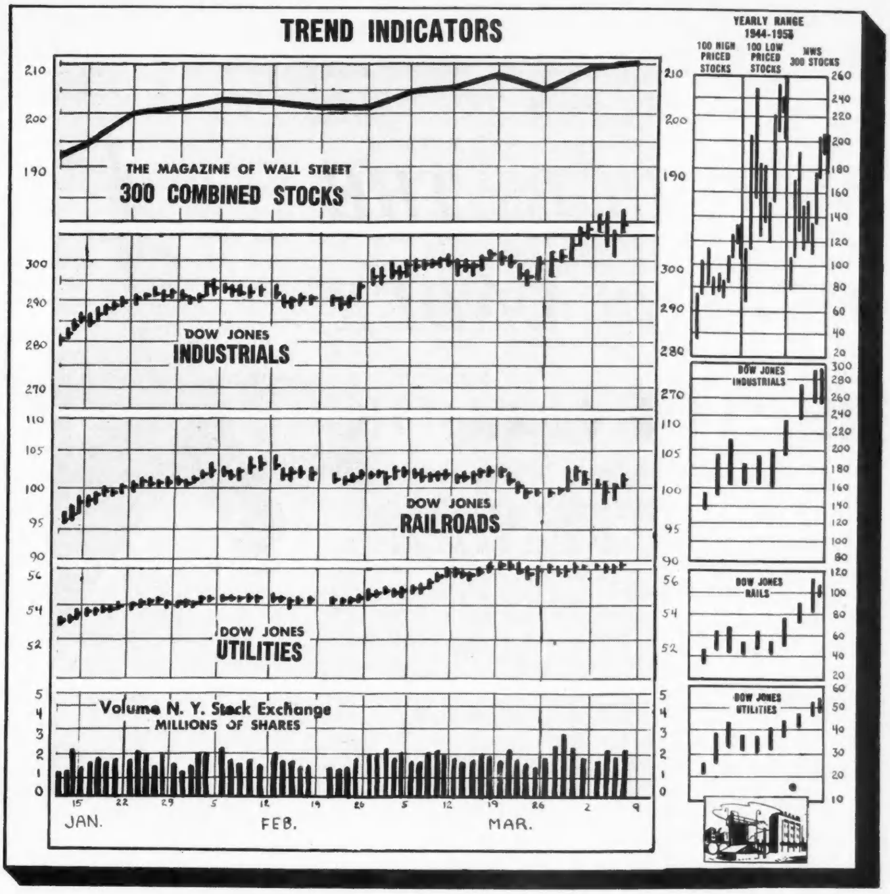
Investment and Speculative Demand

There has been no positive weakening in general investment demand for income stocks; and institutional funds are still concentrating pretty much on the types of Big-Name growth and/or income stocks which have long been their favorites. However, investment demand is becoming relatively less dominant. There is increasing speculative demand for secondary issues. In the stock market, as in women's styles, vogues change. Among the various current market vogues, two pronounced ones are "automation" stocks (issues of makers of machines or controls for tomorrow's more automatic or more sem

automatic factories); and "atomic-energy" stocks, especially issues of companies mining uranium, or other rare ores, for present Government, and possibly ultimate private-industry, use.

As is usual with such imaginative situations, the automation boom is proceeding more rapidly in the market than it possibly can in the factories. (A practical discussion of the potentials will be found on following pages.) Since nobody can figure the actual future of peacetime applications of atomic energy or of by-products of nuclear fission in terms of dollars and cents of corporate earning power, "atomic-energy" stocks give plenty of area within which speculative imagination can roam.

Money can be made by riding market vogues—and lost by staying with them too long. Among the vogues of recent years are that are now no longer so are the "wonder-drug", rayon and television stocks. Among some of the vogues of 1945-1946, remembered by buyers of some stocks who are still "hung up", were air lines, liquors and motion pictures.



If forecasts of about a 15% 1954 decline in earnings are correct, representative industrial stocks are now priced at something like 12.0 times earnings. This is not extreme, as compared with the substantially higher ratios prevailing around the market highs of 1946, 1937 and 1939; but is well above the ratios of 8.0 to 10.0 prevailing through much of the postwar era heretofore. Average industrial dividend yields are now down to less than 5.4%. This also is not extreme, compared with the much lower yields at older bull-market highs. But it is the lowest yield basis in over five years, yields having been materially above 6%, on average, through most of the postwar years. The yield spread in favor of industrial stocks, over high-grade corporate bonds is about 90%. It was either much less than that, or with the spread in favor of bonds, at older market tops—but it has been much above 90% much of the time. In short, stocks are not extremely priced by these criteria, but are quite far removed from any bargain-counter level as can easily be seen.

The Institutional Factor

The managers of institutional funds buy stocks with other people's money about as steadily as the funds come in, and thus on what is equivalent to a dollar-averaging basis. They do not need to be much concerned with prices at any given time, so long as the "prudent-man" rule, as regards basic quality of selections, is adhered to. What is prudent for these funds can be less so for individual investors. It is certainly a moot question whether individuals should compete with the "funds" from present levels in buying low-yield growth stocks already at prices which may discount growth of earnings for an extended time to come. In such instances as Aluminum Company, Dow Chemical, American Can, Union Carbide, Scott Paper, Minneapolis-Honeywell, Minnesota Mining & Mfg. and Owens-Corning Fiberglas—all excellent companies—current yields are now in the not too inviting range of 1.7% to around 3.5%.

Institutional demand is an important support, but should not be exaggerated. It is not new. It did not prevent minor bear markets in 1953, 1948-1949 or 1946-1947—and will not prevent an at least sizeable shake-out in the present market somewhere along the line, perhaps when relatively few people are on the lookout for it.

To get good yields today, if that means 6.5% or more to you, stock buyers have to go to speculative or semi-speculative issues. They can be had, of course, in aircrafts, with at least a couple of years of good earnings indicated, in various machinery issues which, with aid of EPT lapse, have good prospects; and, among others, in selected steels, building material and railroad stocks on which reduced earnings figure to leave dividends well covered.

Our over-all policy remains selective and conservative—Monday, April 12.

★ ★ ★

WHO GETS THE ORDERS UNDER THE "NEW LOOK" IN DEFENSE?

By
HOWARD
WINGATE

In this revealing article, investors are given a glimpse into the effect of defense orders on earnings of important corporations. 80 companies are listed together with an appraisal of the future trend of their defense business.

The "new look" in defense, a term which originated with Secretary Dulles' historic pronouncement of the establishment of a policy of instant retaliation in the event of major communist aggression, has caused investors to reappraise the position and outlook for companies which have been deeply involved in the defense program. Obviously, any changes contemplated in U. S. spending for military equipment are likely to have a decisive effect on the earnings of many corporations and this, of course, is of direct investment interest.

In the three years July 1, 1950 *to June* 30, 1953 *the United States government gave out contracts for military hardware of one sort or another amounting to the giant total of* $63 *billion*. This represented only the portion allocated to one hundred important American corporations. In fact, these companies alone received 64% of total military orders.

Individual totals for the three-year period ranged from as high as $7 billion for General Motors to as low as $104 million for Phillips Petroleum. Fifteen out of the hundred companies received contracts in excess of $1 billion apiece.

Although the percent of profit on government business is traditionally low, generally estimated at an average of 2%, it can be readily seen that on the immense volume of orders of $63 billion received, and which by the end of June 30, 1954 will amount to $80 billion, even this low profit margin means that the 100 companies will have been able to show profits of probably as high is $1.5 billion for the four-year period. In the case of General Motors, for example, it may have meant profits as high as $150 million or enough to have provided for a respectable part of the dividends for the period. For other corporations, of course, the amount of profits was much smaller, depending on the size of the military business received, but nevertheless important as a source of added revenue.

In the accompanying table, we list 80 of the more important of the 100 major companies receiving defense contracts, excluding those which are not considered of sufficient investment interest. The list of companies has been arranged in order of size of contracts received with data supplied by the Office of Assistant Secretary of Defense in a report issued in January. These are the latest available figures and have been supplemented by our own compilation of sales and the ratio of the individual company defense orders to total sales. It is suggested that the

reader examine the table carefully as it discloses the highly significant relationship between the size of defense contracts and total sales.

Trend of Defense Expenditures

This information enables the investor to appraise somewhat more closely the effects that the coming over-all reduction in U. S. defense costs are likely to have on company profits. Before developing this point more fully, it would be desirable to obtain a broad picture of the coming trend in national defense expenditures. In 1950, before the Korean war, they were $11.7 billion including foreign military aid. This jumped to a Korean war-peak of $49.8 billion. In the current fiscal year, the amount will be $44.9 billion and, in the next fiscal year ending June 30, 1955, will drop to an estimated $42.6 billion. It means that, as compared with the peak in fiscal 1953, we shall be spending a little over $7 billion less for defense next year than last. Obviously, this is going to make a difference to many companies, but not all will be affected equally. In other words, the government is not making or going to make an across-the-board reduction in defense orders but will raise, maintain or reduce these orders to individual companies in accordance with the new military policies being evolved.

Since a good part of the details of the emerging defense program is classified and, in fact, properly not available to the public, it is feasible to sketch in only the general outlines of the changing military program and the probable effects on specific industries and companies. Though necessarily imprecise, the conclusions drawn in this survey should be of practical value to investors.

It now generally appears that, in accordance with the "new look" in defense, a higher proportion of incoming defense orders will be for aircraft, electronics and military-atomic equipment than for the more conventional type of weapons such as cannon and tanks, and, naval vessels (excluding atomic submarines). By reference to the table, it will be seen that the aircraft manufacturing industry has already been receiving the largest percentage of military orders as related to general sales among the individual companies. Boeing's orders, for example, have been more than double total sales which peculiar ratio, of course, is accounted for by the fact that the time lag between orders received and delivery of aircraft is exceptionally long, sometimes as much as three or four years. Other aircraft manufacturing companies which have had an exceptionally high rate of defense orders as compared with their total business are: Douglas, Curtiss-Wright; Consolidated Vultee; and Grumman.

Another industry which has been benefiting from heavy defense orders is electronics and specialized electrical equipment. Companies such as General Electric, Westinghouse, Bendix Aviation, Sperry, Raytheon and Avco have been well out in front in receiving this type of business, which is natural, since they are intimately identified with producing the equipment necessary to aircraft manufacturing.

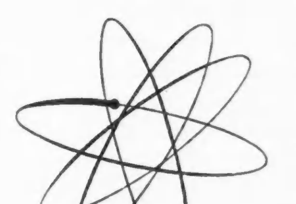
It is interesting to observe that the great automobile manufacturers such as General Motors and Chrysler, while at the top of the list so far as defense orders are concerned, are not nearly so exclusively dependent on government business as are aircraft and electronics. This is particularly important to realize because, under the "new defense look" the type of military equipment produced by the great auto manufacturers will not be in such demand as formerly. Hence, any decline in such orders, as recently in tanks, for example, will have less impact on profits than might have been expected for the larger units in this industry. Smaller companies, especially those dependent on truck orders from the government, will be seriously affected.

Steel, which is commonly supposed to be a "war" industry obtains a surprisingly small amount of direct business from the government, in relation to total sales. U. S. Steel, for example, obtains only 2% of sales in direct defense business and Bethlehem, not much more, or 4%. It is obvious that if these companies and other members of the steel industry find their military orders cut under the "new look" in defense it is going to make relatively little difference to their profits. Steel operations this year will be governed by much broader considerations than the amount of defense orders which the industry receives directly.

Profits and Defense Orders

Generally speaking, the greater the percentage of business dependent on defense orders, the greater the degree of vulnerability to any downward change in the government's appropriations. We have seen that spending for defense will be about $7 billion lower in the next fiscal year. It is apparently the intention of the government to make even further reductions in coming years, provided we have nothing worse than the "cold war" to contend with and that a more peaceful world climate than the present emerges. Taking the long view, it would appear that the transition from a war to a peace economy inevitably means that corporations must find ways

Investment, as well as public interest has been greatly heightened by disclosure of the awesome effects of recent H-bomb blasts in the Pacific. This new and terrible weapon not only gives urgency to the meaning of our "new look" in defense but compels investors to reappraise the position of American corporations as the result of coming changes in the type of defense orders. How these changes are likely to affect American industries and corporations is described in this important article.



*How Important Companies Rank on Defense Orders**

	Gov't Contracts 6/1950 to 6/1953	Combined Sales 1951 to 1953	Percentage Defense Orders To Sales**	Probable Trend of Defense Orders
	(Millions)			
General Motors	$7,095	$25,043	28%	L
Boeing Airplane	4,402	1,994	227	H
General Electric	3,459	8,370	41	L
Douglas Aircraft	2,867	1,622	176	H
United Aircraft Corp.	2,816	1,902	148	H
Chrysler Corp.	2,199	8,495	25	L
Lockheed Aircraft	2,152	1,495	144	H
Consol. Vultee Aircraft	2,072	1,083	191	H
North American Aviation	1,931	1,127	171	H
Republic Aviation Corp.	1,877	954	196	H
Curtiss-Wright Corp.	1,746	941	185	H
Ford Motor Co.	1,604	n.a.	......	L
American Tel. & Tel.	1,491	12,095	12	L
Westinghouse Electric	1,348	4,277	31	L
Grumman Aircraft Eng.	1,043	629	165	H
Northrop Aircraft	999	461	216	H
Bendix Aviation	940	1,487	63	U
Sperry Corp.	925	1,101	84	U
American Locomotive	812	1,025	80	L
Radio Corp. of America	664	1,671	39	L
Martin (Glenn L.) Co.	643	420	153	H
International Harvester	628	3,746	16	L
Du Pont	586	4,909	11	U
Studebaker Corp.	581	1,682	34	L
Bell Aircraft Corp.	504	356	141	H
Avco Mfg. Corp.	455	1,027	44	H
Hercules Powder Co.	441	606	72	U
Goodyear Tire & Rubber	440	3,450	12	L
Packard Motor Car Co.	439	747	58	H
International Tel. & Tel.	430	1,070[1]	40	U
Firestone Tire & Rubber	424	2,961	14	L
Eastman Kodak	413	1,750	23	L
Nash-Kelvinator	397	1,238	32	L
Fairchild Eng. & Airplane	371	390[1]	95	H
American Car & Foundry	344	550	62	L
Philco Corp.	338	1,102	30	U
Raytheon Mfg.	318	379	83	U
Reo Motors	311	413	75	L
International Bus. Mach.	297	1,010	29	U
U. S. Rubber	289	2,528	11	L

*—July 1950-June 1953. n.a.—Not available.

**—Where total contracts in excess of sales, this is due to the time lag in completing orders.

[1]—1953 portion of sales estimated.

SYMBOLS: H — Higher. U — Unchanged. L — Lower.

and means to replace a considerable part of their defense business with civilian business. This will be easier for some industries than others.

However, these are longer-range considerations. Looking at the situation from the standpoint of the next year or two, the 10% decline in national defense expenditures is not large enough to have more than a moderate general effect on profits. On the other hand, individual companies, depending on the type of military equipment and material they supply, will find their orders slashed considerably below 10%. Some, for example, have had to eliminate military production of certain types completely due to the fact that such production has now been concentrated in one or two plants rather than being spread around as formerly. The ending of tank production at the Chrysler plants is a case in point. However, as stated previously total profits of Chrysler, which is dependent mainly, on civilian production, will not be proportionately affected.

There has been a tendency among commentators to dwell excessively on the amount of defense order backlogs of individual companies. While these orders are substantially relied on by the corporations concerned and requisite efforts made to built up facilities in order to supply the goods ordered, it must nevertheless be considered that the government, on occasion, has a disconcerting way of cutting back on its orders on goods no longer needed, or which it believes it has in ample supply. For example, both American Car & Foundry and American Locomotive-manufacturers of specific military equipment and goods, such as tanks, shells etc.—have had very large cutbacks in their defense backlog orders. American Car & Foundry ended 1952 with $378 million backlog and wound up 1953 with only a $200 million backlog, a large part of the drop due to less defense business. American Locomotive had a similar experience with a drop from $550 million to $160 million in the backlog. On the other hand, ALCO is now heavily involved in manufacture of atomic energy equipment, with $22 million in shipments in 1953 in this phase.

As a growingly important part of defense equipment is in nuclear weapons—atomic and hydrogen—companies engaged in supplying the government's needs in this field are not likely to be affected by any general cut in defense expenditures. A considerable number of important companies are engaged in these activities. Among them are such prominent concerns as: duPont, American Tel. & Tel., General Electric, American Cyanimid, National Lead, Minneapolis-Honeywell, Goodyear Tire & Rubber, Union Carbide, General Dynamics and Westinghouse. There are many others. (A fairly complete list was published in our Dec. 26 issue)

Shifts in Specifications

Although the "new look" in defense clearly indicates concentration of future orders in the aircraft, electronics and atomic energy industries, the first two of these industries is specially subject to changes in design specifications and cutbacks and stretch-outs, lending a somewhat uncertain basis to operations. However, much of the gains accruing from the end of the excess profits tax should be retained by this industry, despite renegotiation possibilities so that the over-all profit outlook is quite substantial.

Stockpiling Activities

Indicating the always present possibility of shifts in government policy on defense is the recent presidential order to resume stockpiling of certain metals, such as copper, lead and zinc. This move probably has been motivated by political considerations-aid to Chile, in the case of copper, and aid to domestic lead and zinc producers to help home producers. The move is of substantial though possibly temporary importance to producers of the metals in view of the strength it has recently imparted to their prices.

A rather significant phase of defense order business is that the Defense Department in recent months has started to delay advance and progress payments to contractors. In the past, these advances have enabled companies to conveniently finance requirements for tooling and other preliminary expenses. Under the changed conditions now prevailing, business firms will either have to finance these requirements themselves or go to the banks. This does not involve payment after delivery, of course, which will proceed on the same basis as heretofore. The larger companies, of course, will experience little difficulty in financing their prime obligations. However, the new situation does affect smaller sub-contractors and this may in turn, react on the larger producers, who may find it necessary to help their smaller suppliers with cash advances.

Financial Problems

In the table, we have attempted to project the future trend of defense orders for the 80 companies listed, in accordance with general information on the position of the different industries and available information on the individual companies themselves. The reader is cautioned, however, that the indicated trends are subject to change without notice in accordance with modification which may take place with regard to the Defense Department's plans.

Except for the aircraft industry which is almost wholly identified with defense production and therefore largely dependent on the trend of defense orders, the others should be less influenced by any decline in government orders but the experience of individual companies will not necessarily conform to this pattern. This is highlighted in the table, especially the third column which indicates the relationship between total business done and the amount of defense orders received. It is obvious that those companies with the lowest figure of percent are least vulnerable to cuts in defense orders and those with the highest percentage, most vulnerable.

The above statements and conclusions are based on the assumption that the international situation will permit the government to proceed with its program of economy and that it will step-down its defense expenditures gradually in the next two years. However, if a new crisis should develop—as in Indo-China, for example—all previous calculations would have to be abandoned and a new estimate of military requirements would be required as based on a radically altered situation. No American wants this but, unfortunately, it cannot be excluded as a possibility. In that case, defense orders would again become more of a factor in company earnings, as during the earlier phase of the Korean war. It should not be forgotten (*Please turn to page* 128)

How Important Companies Rank on Defense Orders—(Continued)*

	Gov't Contracts 6/1950 to 6/1953 (Millions)	Combined Sales 1951 to 1953 (Millions)	Percentage Defense Orders To Sales**	Probable Trend of Defense Orders
Stevens (J. P.) & Co.	$ 282	$ 1,071	26%	L
American Woolen Co.	277	438	63	L
Continental Motors Corp.	259	729	35	L
Standard Oil of N. J.	255	12,289	2	U
Food Machy. & Chemical	236	605[1]	39	U
U. S. Steel	224	10,494	2	L
Beech Aircraft Corp.	215	264	81	H
General Tire & Rubber	211	562	37	L
Swift & Co.	210	7,714	3	L
Bethlehem Steel	210	5,566	4	L
Standard Oil of Calif.	204	3,071	6	U
National Gypsum Co.	202	311	65	L
Armour & Co.	191	6,488	3	L
Rheem Mfg. Co.	187	426	43	U
Remington Rand	184	650	28	H
Diamond-T Motor Car	175	212	82	L
American Bosch Corp.	167	245	60	L
Allis-Chalmers Mfg. Co.	164	1,485	11	L
Hazeltine Corp.	159	n.a.	......	H
U. S. Hoffman Machinery	158	100	158	U
Minn.-Honeywell Reg.	157	514	30	H
Sylvania Elec. Products	149	731	20	U
Baldwin-Lima-Hamilton	146	742	20	U
Burlington Mills	145	991	14	L
National Cash Register	137	699	19	L
Goodrich (B. F.) Co.	133	1,898	7	L
American Smelt. & Ref.	132	1,470	9	L
Proctor & Gamble	131	2,528	5	L
Admiral Corp.	131	628	21	U
American Steel Foundries	127	405	31	L
Caterpillar Tractor	126	1,305	9	L
Cities Service Co.	125	2,621	5	U
Stewart-Warner	124	354	35	U
Borg-Warner	123	1,130	11	H
Sinclair Oil	123	2,600	5	U
Motorola, Inc.	122	521	23	U
Fruehauf Trailer Co.	121	496	24	L
American Safety Razor	121	60[1]	201	L
Mack Trucks, Inc.	120	493	24	L
American Mach. & Fdry.	115	285	40	L

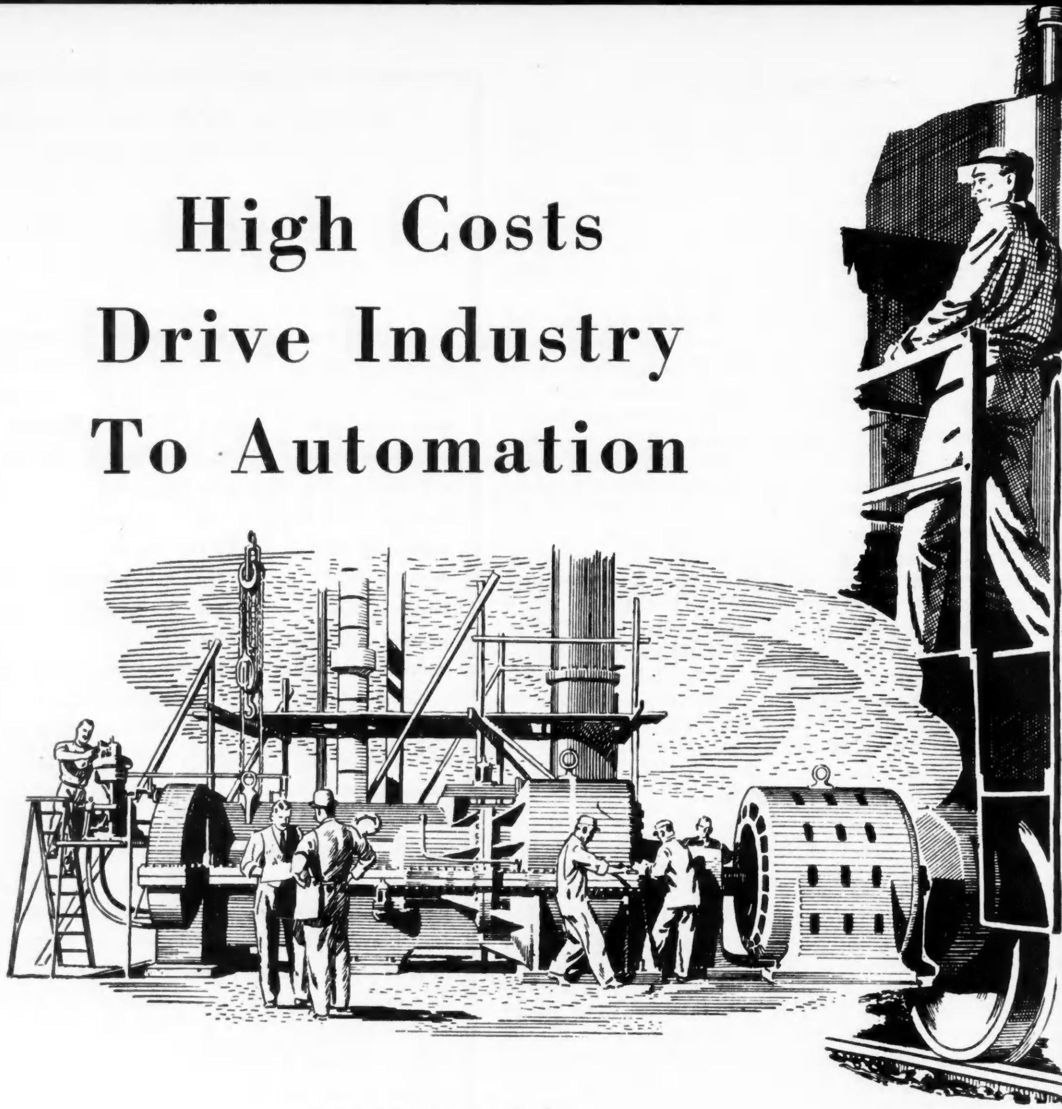
*—July 1950-June 1953. n.a.—Not available.

**—Where total contracts in excess of sales, this is due to the time lag in completing orders.

1—1953 portion of sales estimated.

SYMBOLS: H — Higher. U — Unchanged. L — Lower.

High Costs Drive Industry To Automation



By VERNON HALL

You won't find it in a dictionary that has been on the shelf for a year or more, but the word "automation" coined back in 1940, is now rapidly taking on increasing significance. When it originated, only a few industrialists comprehended its meaning. Tomorrow's dictionary will probably define automation as "a system by which materials move automatically from station to station and from machine to machine, according to pre-determined, rigidly maintained time schedules, requiring less supervision and guaranteeing less human error."

To this, the lexicographers will probably add: "automation is a means for the automatic handling and processing of materials, permitting greater productivity, higher product quality, lowering of production costs, and better and safer working conditions. It enables industry to obtain the maximum usefulness of its capital investment in tools and equipment, and upgrades labor."

A Vast New Field

Automation of plants and factories is destined to cause material changes in the lives of every individual, create new concepts of American industrial companies, and, for the investor, open up new fields of investment opportunities. The trend toward automation, gathering momentum in the last six or seven years, has been referred to by some as revolutionary. A more reasonable term would be evolutionary. It is the second phase of a development that began years ago with the advent of the "machine age" in which machines, manually controlled, functioned as independent units in relation to the complete processing of materials into the finished product. This was simply the mechanization of manufacturing. The productive capacity of the machines, however, was limited by the necessity of moving the material or part from one machine to the next by hand. To reduce this time loss, increase the rate of output, and at the same time, cut costs, there was increased employment of automatic controls and a number of labor-saving devices among which were conveyor systems and other transfer equipment. While making some improvement, these devices accentuated the

fact that the greatest benefits to be derived from gains in fast developing technology made it imperative that industry continue to move toward fully automatic product processing.

Other factors causing many companies to press toward this goal are increasing competition, peak production costs, and a look ahead five or six years hence when, according to some estimates, there is apt to be a scarcity of labor at the lower levels. There will be less need for that type of labor, the untrained and unskilled, which in the past has been called upon to do the "dirty" and quite frequently, the hazardous work. In its place will be an increasing demand for maintenance men, machine supervisors, engineers and other classes of skilled workers with greater earnings ability.

Developing the automatic factory is not an overnight accomplishment. The Ford Motor Co., generally credited as being one of the pioneers in automation has been moving steadily in this direction (allowing for World War II interruption) since the time it installed "mechanical hands" to extract sheet-metal stampings from heavy presses. Ford's engine plants are now equipped with high-speed, automatic transfer machines capable of performing a whole series of operations in proper sequence automatically in far less time than was required by older methods. One such "automation unit" employing air-operated and electrically controlled mechanical fingers, moves cylinder block castings along one step at a time. A rotating device turns and repositions castings, a tilting unit, built into inline drilling machines, receives the casting, positioning it for work. A turn-over unit then delivers it to a transfer unit for broaching operation, after which each of these several devices is ready to deal with the next casting as it is moved along without the touch of a human hand.

The whole process, viewed from the standpoint of a few years ago, appears fantastic. The handling devices in combination with inspection and gauging equipment, and control equipment make the performance possible. Pushbuttons of various colors control each manufacturing step and lights flash to indicate when a cutting tool is wearing out, requiring replacement. In one of the Ford engine plants, it requires only nine men and three machines to drill the necessary oil holes in a crankshaft. Conventional machining for the same job required 39 men and 29 machines.

New Mechanical Techniques

In the foundry, too, automation is making strides. The production of engine blocks that once depended upon the hands of the core-maker to mold the sand, can now be produced mechanically. A revolving table can handle mechanically five cores simultaneously for six and eight cylinder blocks with such accuracy that required time for machining is substantially reduced. Automation techniques are also applied to many other operations. For example, incoming steel stock at the coil spring plant is moved by automatic pick-ups, conveyed to and placed on elevators which, in turn, carry the material into heat-treating furnaces. The use of materials handling devices is an important part of automation. Instead of trundling materials by hand to add to the cost of a product that cannot be included in its price, mechanical handling that also assures a steady flow of materials is bringing power roll conveyors, belt conveyors and other devices into greater play even in those plants that are just entering the first phase of automatic operation.

How far along the road to complete automation General Motors and Chrysler have traveled cannot be stated with any degree of accuracy. It's a safe bet, however, that both companies, while not given to publicizing their progress, are not far behind Ford. What is known is that GM and Chrysler gave considerable attention to automation-type equipment as soon as the last global war ended. Completely automatic plants are not brought into existence at one fell swoop. What Ford, GM and Chrysler have accomplished along these lines has been on a section-by-section basis. All of it represents an approach to the ultimate—the "push-button factory"—the coming of which is likely to be speeded by the steady progress being recorded in the development of electronic devices.

General Motors' recent announcement that it plans to spend $1 billion this year and next on expanded facilities can be construed as a sign of the times. Chrysler, too, announces that after exhaustive study it is in the process of emphasizing and strengthening

A Partial List of Companies Increasing Their Automatic Operations

General Motors	Plans expenditure of $1 billion this year and next, a large portion to cover automatic machinery.
Chrysler Corp.	Has spent $450 million in postwar years for expansion, including new engine and transmission plants with latest automatic equipment.
Packard	Has laid out broad program for all phases of business, requiring substantial investment in improved manufacturing techniques.
Nash-Kelvinator	$72 million spent since World War II, largely for expansion and modernization of plants and equipment.
Allied Chamical	Modernized older plants and new plants being equipped with latest automatic equipment.
Mathieson Chemical	Is directing principal efforts in chemical field to up-grading product quality and increasing output through automation as rapidly as possible.
Monsanto Chemical	Intensifying cost reducing efforts by employing new techniques, materials handling and improved equipment.
Allis-Chalmers	Trend toward automation has developed in own plants and in preparing to meet demand from its customers for automatic equipment, especially in the field of power generation.
General Electric	(see text)
Westinghouse Electric	(see text)
Thompson Products	Has taken initial steps toward automation and will most likely continue moving in this direction.
Borg-Warner	Is expected to spend in excess of $12 million this year for plant and equipment, a large portion of which will go for more mechanization.

its operating divisions. Neither company is enlarging upon their respective statements, but it is certain that substantial portions of the money to be spent will go for the big new tools capable of turning out better products faster and at lower cost.

Automation in Other Industries

Automation is not a development peculiar to the automotive industry. Its principle is applicable to almost any process of production. A department, a sequence of operations, or a single operation can be automated. For instance, the Thompson Products Co., one of the leading auto parts makers, which is now deep in the business of manufacturing aircraft parts, only recently put into operation a tool as "big as a house" capable of machining housings for jet turbines in 10 minutes with one man at the controls, as compared with a former machining process requiring 2½ hours and the time of five men.

The chemical industry is pushing ahead with all possible speed toward the completely automatic plant. It realizes that it will take time to utilize completely the automatic equipment now available because of the need for the complete integration of control equipment with plant design and process system, as well as the need for technical personnel. Factors urging the industry on are the resulting benefits from reduced hazards to personnel; improved uniformity and degree of product and process efficiency, and lower product prices producing large-scale demand.

The steel industry, too, having made considerable progress to complete automation, will unquestionably advance still further in this direction. This is a must if it is to keep pace with the increasing demand for its products and at the same time keep production costs down.

At the big Curtiss-Wright engine plant, huge turbo-compound engines are being produced on an automated assembly line considered a clase approach to the "pushbutton" factory. Westinghouse Electric, in building its $45 million appliance plant at Columbus, Ohio, was mindful of the benefits to be realized from installing as much automatic equipment as possible. The plant, opened in late 1953, is geared to produce eventually 4,000 major appliances largely refrigerators and freezers, a day. Parts for these units will be carried over about 27 miles of conveyors, into automatic enameling and assembling machines and then the completed assembly will be carried to a machine that will automatically crate the product for shipment. It is estimated that the method of conveying and efficient lay-out of the equipment will bring handling and servicing costs at the plant down to about only 9% of the retail price of a refrigerator for instance, as against an estimated 30% or a little more of production cost normally allowed.

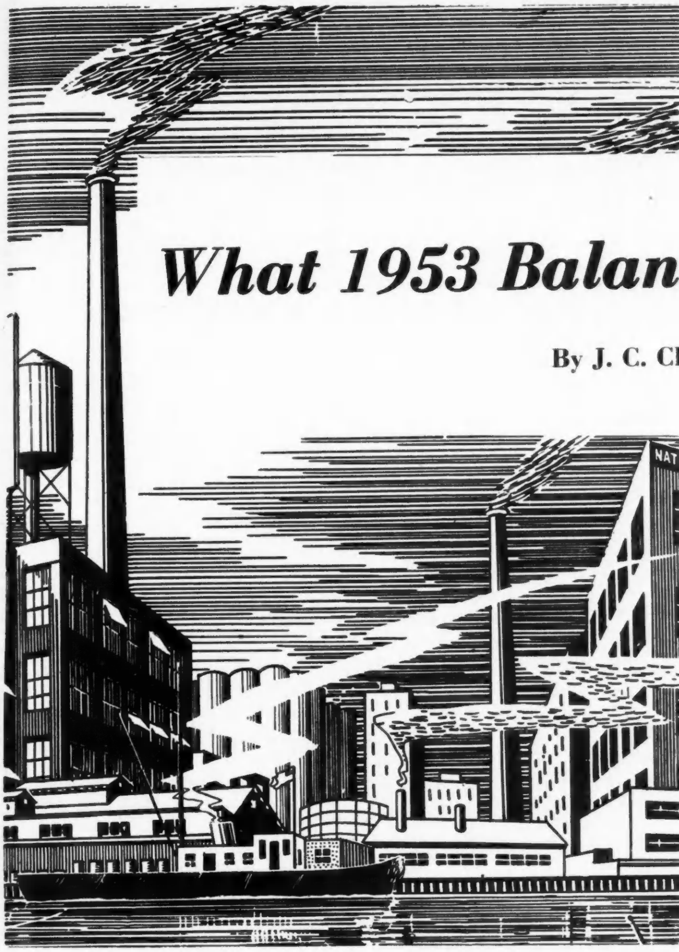
Developments in Electrical Industry

General Electric's new Louisville plant for the production of refrigerators, freezers, air conditioning units, and other major appliances, is a good example of present day automation in manufacturing. Ultimately, this plant located on a 942-acre site, will have approximately 100 acres under one roof. It is using automation machine tools in a three-block-long operation turning out home laundry units. To carry parts of the various appliances made there, the company has installed over 42 miles of conveyors. This is only one phase of GE's accomplishments in the field of greater automation. At the company's Electronics Park in Syracuse, N. Y., an automatic, conveyorized method of dip-soldering television receiver chassis permits the fully automatic and simultaneous soldering of approximately 400 electrical connections which heretofore were soldered manually with pliers and soldering irons. In its new Trumbull Department plant a highly mechanized line produces switch boxes in seven minutes which formerly required 22 days by hand in the old plant. At the West Lynn plant, conveyorizing and mechanization of production of instrument transformers, has cut the time of processing in half. Similarly, a conveyor system for automatically applying film to aluminized TV picture tubes has lowered processing time and substantially reduced costs.

While General Electric, as well as Westinghouse, are proceeding to achieve greater automation in their own operations, they are also readying themselves to meet increased demand for equipment manufactured for other fields. As GE puts it, it has a two-fold aim in intensifying the search for improved methods of manufacturing. First: the company's own productivity during the next few years must be increased at a rate faster than its historical rate of progress if it is to realize the volume of output which the American public seems likely to demand. And second: it aims at develop- (*Please turn to page* 130)

A Partial Grouping of Companies that Should Benefit from Automation Market

Chain Belt	**One of the foremost producers of conveyor chain, construction machinery, and a variety of processing equipment.**
Cincinnati Milling	**(See text)**
Cutler-Hammer	**(See text)**
Ex-Cell-O	**In good position to expand activity in machine tools, special machinery and conveying systems in trend toward industrial automation.**
Gen. Precision Equipment	**(See text)**
Link-Belt	**A well positioned producer of mechanical power transmission and materials handling equipment.**
Mesta Machine	**A leading manufacturer of steel mill equipment. Other important markets are large machinery and metal working companies.**
Minneapolis-Honeywell	**(See text)**
Monarch Machine Tool	**A foremost producer of various types of lathes used in mass production industries.**
National Acme	**Primarily a manufacturer of automatic machine tools. Also produces a line of electrical controls.**
Remington-Rand	**(See text)**
Sunstrand Machine Tool	**Produces a variety of high-speed machine tools, as well as hydraulic equipment for industrial machines and material handling devices.**



What 1953 Balance Sheets Reveal

By J. C. CLIFFORD

The outstanding trend revealed by examination of several hundred large corporation reports now available is the continued growth in total assets last year. This accompanied a record volume of sales and a generally high level of earnings. Comparison of the December 31, 1953 balance sheets with those of the past few years shows not only tremendous outlays for expansion and modernization of plant and machinery, but also the building up of working capital and maintenance of a high degree of corporate liquidity in most cases.

Many of the more progressive American corporations have so changed with respect to physical equipment and financial condition, as well as in their major products, that they bear little resemblance today, except in name, to the same companies back in the 1930's or even at the close of World War II.

Investors looking over the year-end balance sheets are interested mainly in five items. These are: the cash flow; inventory position; accounts receivable; current and long-term borrowing, and liquidity. Recent trends in these factors will be discussed briefly on the basis of the accompanying statistical table of well-known companies, each a representative leader in its particular industry. In addition to the figures cited, however, the text of the detailed annual reports is often needed to understand the picture fully.

1. Cash Flow

In comparison with the record-high turnover of dollar sales by the manufacturing industries last year, reflected in heavy receipts and disbursements at relatively narrow profit margins, the net changes that occurred in balance sheet items generally appear only moderate. Nevertheless, the total absorption of funds in manufacturing continued at a high level —above 1952 and exceeded only in '50 & '51.

Most of the new money last year went into improving plant and equipment, and outlays for this purpose apparently will continue with only a slight let-down during 1954.

In spite of this heavy demand for cash last year, as well as its absorption by some increase in other current assets, corporate holdings of cash and marketable securities together were built up moderately.

A new source of cash has been the increase in depreciation charges included in operating expenses. These involve no cash outlay, and have been rising rapidly as a result of the investment in new plant and equipment on which they are customarily based. Also, there has been accelerated depreciation charges permitted at the rate of 20% annually on national defense facilities. Moreover, the pending Internal Revenue Code revision proposes more liberal depreciation allowances generally on properties built after January 1, 1954.

A new demand for cash, however, arises from the further step-up in the federal income tax instalments payable under the Mills provision. In the March and June 1954 quarters, 90% of last year's income taxes become payable; by the same period of 1955, 100% of this year's taxes will be payable. To meet these temporary demands, companies have been fortunate to have the increased holdings of cash and marketable securities. They were not fully adequate, however, judging from the substantial rise in commercial bank loans that took place last month over the tax date.

2. Inventory Position

Correction of excess inventories has become the center of attention in the analysis of current business trends during this "recession." Although manufacturers' inventories last year continued to rise in

a majority of cases, such increases were only a small fraction of those in 1951. Furthermore, the fourth quarter of '53 brought a check to inventory accumulation, and a slow but orderly liquidation has been proceeding through the first quarter of '54.

So long as the size of inventories fluctuates only moderately, rather than bounding ahead as in periods of inflation, the changes are less significant of general factors as are conditions which affect each particular company and which must be studied to be understood. For example, an increase in inventory might reflect either an opportunity to buy raw material at a fortuitous price, or a slump in sales, or a change in the buying habits of customers. Also, it might reflect accounting technicalities in connection with the LIFO method of valuation, or the selling out of low-cost stock, or considerations of the now expired excess profits tax.

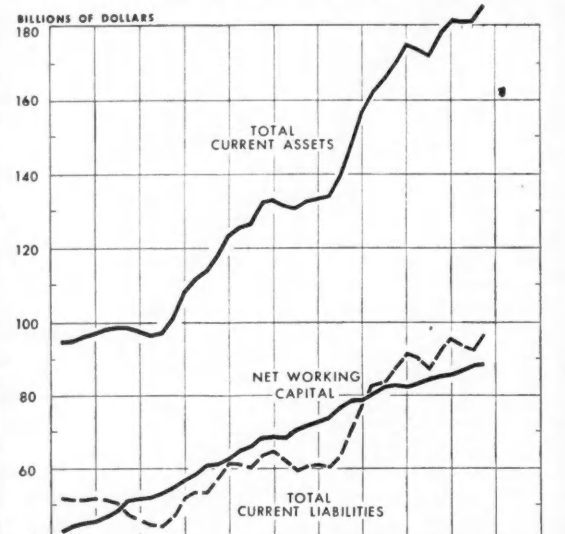
Fluctuations of inventory are still important to watch, but the investor must become accustomed to see inventories remaining at high levels relative to former years. This is because of normal long-term growth, combined with the great wartime and postwar inflation. In view of the expansion that has occurred in corporate sales and total assets, present inventories in dollars do not appear much out of line even though they may be about four times those of prewar 1939.

3. Accounts Receivable

Accounts receivable increased moderately last year, as would be expected in accordance with the increase of dollar sales billed. A sizeable minority of companies, however, had decreases in receivables counter to the majority trend.

Thus, the mixed changes were not conclusive of any shift in the pattern of bill payments by business and the public. Surveys conducted by various creditmen's associations still do not support the occasional rumors heard of a serious slowing down in collections. Sharp decreases of receivables by some manufacturers last year can be traced to the tapering off in shipments made under national defense contracts.

CURRENT ASSETS AND LIABILITIES OF CORPORATIONS



4. Corporate Borrowing

There were increases last year, for the manufacturing industries as a whole, in both short and long-term debt. Among representative companies, however, the changes were highly uneven and not explainable by generalizations.

Borrowing to remedy a scarcity of cash was necessary in many cases because of heavy capital expenditures, and in some cases because of having to support more inventory. In still other cases, a consideration of borrowing might have been the effect of increasing the excess profits tax credit, no longer applicable this year.

Long-term mortgage debt really is not a problem for most of the larger industrial companies, since they have little—except possibly small liabilities assumed on mortgages and the like. While there are important bond issues outstanding with some of the big producers in steel, oil, chemicals, rubber, tobacco, and a few other lines, most of the manufacturing industries are relatively free of such debt.

5. Corporate Liquidity

The reason why the increase in corporate indebtedness during recent years should not be overemphasized is that, relatively, there have been increases of far greater magnitude in corporate working capital and in shareholders equity. The vast expansion program of business in the eight years since the war has been financed to the extent of only one-third by external sources—current debt, long-term borrowing, and new security issues. The remaining two-thirds was provided by internal sources—retained net income, plus depreciation and depletion allowances. The principal source of the capital needed was the earnings of business itself, only 42% of which after taxes was paid out in dividends to shareholders. (This is described in the accompanying table (Working Capital of All Manufacturing Corporations in the U.S.)

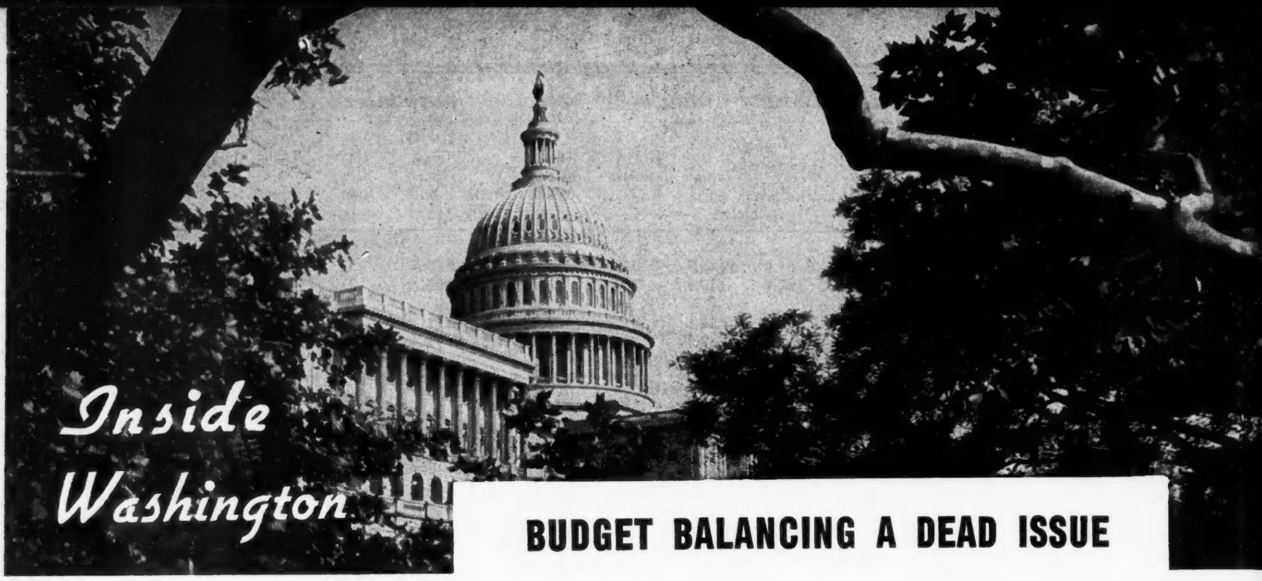
Government statistics covering all manufacturing corporations in the U.S. show that between the end of 1939 and September 30, 1953 total current assets rose from $24 to $100 billion. Since total current liabilities rose during the same period from $9 to $43 billion, the difference—representing net working capital—rose from $15 to $57 billion or almost fourfold.

Both the usual liquidity measures compare favorably with prewar standards, even though they stand considerably below the peaks reached after the war. For the leading companies in our table, the ratio of total current assets to current liabilities averaged (exclusive of the upper and lower extremes) around 3.0 to 1 both years. The ratio of cash and marketable securities alone to current liabilities averaged about 70% both years.

These ratios would stand a good deal higher at present except for the large current liability for federal iniome taxes pay- (*Please turn to page* 128)

Recent Balance Sheet Changes of Selected Companies

	Cash & Marketable Securities	Receivables	Inventories	Current Assets	Current Liabilities	Net Working Capital	Current Ratio	Ratio of Cash & Secur. to Cur. Liabil.	Long Term Debt	Capital and Surplus	Total Assets	Annual Depre-ciation Charges
	(Millions)								(Millions)			
Amer. Radiator & Std. San. Corp.												
December 31, 1953	$ 40.1	$ 24.7	$ 61.0	$126.9	$ 32.7	$ 94.2	3.9	123%	....	$175.1	$208.7	$ 4.5
December 31, 1952	30.1	24.9	62.1	117.1	28.4	88.8	4.1	106	....	169.3	198.6	4.1
Amer. Sugar Refining Co.												
December 31, 1953	24.3	15.0	19.3	58.5	21.7	36.8	2.7	112	....	121.4	153.6	2.6
December 31, 1952	22.2	12.6	22.3	57.1	23.3	33.8	2.5	95	....	119.8	152.9	2.5
American Tobacco Co.												
December 31, 1953	29.5	45.1	651.0	725.6	177.3	548.3	4.1	17	221.3	392.5	801.1	3.2
December 31, 1952	26.4	45.5	640.8	712.7	161.4	551.3	4.4	16	243.6	377.1	783.1	3.1
Baldwin-Lima-Hamilton Corp.												
December 31, 1953	9.5	28.1	73.9	111.5	40.1	71.4	2.8	24	2.0	113.2	156.7	2.9
December 31, 1952	9.9	35.1	85.7	130.7	61.0	69.8	2.1	16	3.0	109.5	174.8	2.4
Bethlehem Steel Corp.												
December 31, 1953	511.4	173.9	293.6	979.0	577.3	401.7	1.7	89	154.9	1,018.7	1,783.0	73.7
December 31, 1952	403.0	167.1	281.7	851.8	352.1	499.7	2.4	114	298.3	925.6	1,601.1	54.5
Burroughs Corporation												
December 31, 1953	9.1	30.7	54.5	94.5	34.6	59.9	2.8	26	29.9	70.1	134.7	3.1
December 31, 1952	19.9	26.2	46.2	92.5	30.1	62.4	3.1	66	31.7	67.4	129.2	3.3
Caterpillar Tractor Co.												
December 31, 1953	11.2	23.8	110.3	145.3	46.5	98.8	3.1	24	53.0	161.7	261.3	12.8
December 31, 1952	14.5	38.3	105.5	158.3	48.0	110.4	3.3	32	53.0	152.5	253.5	10.6
Chrysler Corporation												
December 31, 1953	120.5	96.9	302.2	527.3	327.8	199.5	1.6	37	....	570.1	897.9	47.0
December 31, 1952	167.0	151.3	264.2	590.2	366.4	223.8	1.6	45	....	546.8	913.9	36.3
Continental Baking Co.												
December 31, 1953	11.9	4.4	9.9	26.8	13.7	13.1	2.0	87	14.9	45.4	74.1	3.7
December 31, 1952	10.6	3.5	9.5	24.2	12.4	11.8	2.0	85	16.3	42.9	71.6	3.1
Continental Can Co.												
December 31, 1953	18.5	27.4	95.9	141.4	55.5	85.9	2.5	33	58.8	204.6	320.6	10.4
December 31, 1952	34.8	27.9	80.5	144.0	46.4	97.6	3.1	75	61.6	189.8	302.9	8.5
Continental Oil Co.												
December 31, 1953	35.3	41.5	53.2	129.9	61.7	68.2	2.1	57	53.4	293.5	409.4	19.4
December 31, 1952	26.1	36.2	49.4	111.7	50.5	61.2	2.2	50	32.1	278.0	360.9	16.1
Deere & Company												
October 31, 1953	83.3	148.6	113.2	345.1	49.3	295.8	7.0	169	67.9	289.1	431.4	7.9
October 31, 1952	111.5	129.8	114.2	355.5	60.0	295.4	5.9	185	68.7	285.6	432.1	6.4
Electric Storage Battery Co.												
December 31, 1953	6.6	10.5	20.0	37.4	6.7	30.7	5.4	99	9.4	50.1	69.4	2.2
December 31, 1952	6.5	12.7	23.8	43.3	10.7	32.6	4.1	61	10.7	50.3	74.9	1.7
Goodyear Tire & Rubber Co.												
December 31, 1953	68.0	149.9	246.0	463.9	62.5	401.5	7.4	109	195.4	315.5	666.4	30.2
December 31, 1952	44.8	160.4	275.4	480.7	83.5	397.2	5.8	54	200.1	310.6	656.0	25.9
Ingersoll-Rand Co.												
December 31, 1953	95.5	16.5	32.9	145.0	52.7	92.2	2.7	183	....	103.6	156.3	1.1
December 31, 1953	85.3	11.4	37.8	134.5	49.8	84.8	2.7	117	....	93.6	154.8	1.0
International Paper Co.												
December 31, 1953	70.6	34.0	82.6	186.3	43.6	142.6	4.3	162	....	444.2	507.4	25.5
December 31, 1952	49.1	35.8	85.6	170.5	45.3	125.2	3.8	109	....	400.1	471.5	21.9
International Shoe Co.												
November 30, 1953	11.5	41.0	72.9	126.0	39.6	86.3	3.2	29	35.0	95.0	170.5	2.4
November 30, 1952	22.2	34.5	59.1	117.7	25.6	92.1	4.6	87	30.0	93.0	149.3	2.0
Johns-Manville Corp.												
December 31, 1953	12.2	25.9	22.9	61.0	34.8	26.2	1.8	35	4.3	143.1	191.1	9.9
December 31, 1953	11.1	26.4	24.2	61.8	33.8	28.0	1.8	33	4.7	144.2	184.2	6.8
Merck & Company												
December 31, 1953	20.4	12.3	35.3	68.0	12.1	55.9	5.6	169	3.4	132.9	148.4	7.7
December 31, 1952	9.8	9.3	32.0	51.1	16.4	34.6	3.1	60	0.8	85.1	112.3	5.4
National Dairy Products Corp.												
December 31, 1953	82.6	50.7	107.3	240.6	60.3	180.3	4.0	137	101.4	248.9	425.0	22.6
December 31, 1952	39.5	50.5	136.9	226.9	57.2	169.7	4.0	69	103.8	235.0	409.2	21.2
National Distillers Prod. Corp.												
December 31, 1953	51.4	73.8	150.7	280.7	35.2	245.5	8.0	146	125.4	252.2	422.5	5.3
December 31, 1952	35.7	69.7	171.9	277.3	24.8	252.5	11.1	144	116.6	251.4	398.9	4.5
Owens-Illinois Glass Co.												
December 31, 1953	31.0	24.9	45.2	101.2	42.0	59.2	2.4	74	25.0	149.1	221.9	7.2
December 31, 1952	32.7	20.0	37.2	90.0	37.9	52.1	2.4	86	10.0	145.1	198.1	7.1
Pacific Mills												
December 31, 1952	4.6	17.4	26.7	48.7	10.9	37.8	4.5	42	....	68.2	79.1	1.8
December 31, 1952	4.5	15.7	27.3	47.6	11.5	36.1	4.1	39	....	65.1	78.7	1.7
Philco Corporation												
December 31, 1953	18.8	53.3	57.5	130.7	76.0	54.7	1.7	25	....	92.5	168.5	3.4
December 31, 1952	19.5	47.2	41.8	109.8	64.3	45.5	1.7	30	....	80.1	144.4	3.1
Union Carbide & Carbon Corp.												
December 31, 1953	140.3	107.4	262.8	510.4	207.1	303.3	2.5	68	330.0	647.1	1,190.6	75.4
December 31, 1952	128.1	119.6	225.0	472.8	211.0	261.8	2.2	61	240.0	614.8	1,072.2	54.3
United Aircraft Corp.												
December 31, 1953	54.2	52.5	113.1	219.9	140.0	79.9	1.6	39	....	152.9	297.7	14.7
December 31, 1952	39.7	46.9	101.0	187.6	120.0	67.6	1.6	33	....	142.3	265.8	11.6



BUDGET BALANCING A DEAD ISSUE

By "VERITAS"

BUDGET balance went out of federal fiscal discussions many months ago, and now holding the line on the debt limit has been officially filed away among the unattainable desirables. For the present, that is. In final analysis, these aspirations (they weren't copper-riveted campaign promises) couldn't be achieved under any anticipated Treasury income-and-outgo. The Eisenhower Administration inherited $81 billions in C.O.D. obligations—goods on order for delivery this year and the two following years. And there was no provision to pay for them. The GOP high command isn't worried about piercing the ceiling. Treasury Secretary Humphrey believes the story of inherited bills is well known.

TIMETABLE for business upswing has been rewritten by the White House, but this is the month that may be determinative upon whether the Administration can rest easily or must compound restoratives for the economic body. March was to be the test-of-business month; now it's April and it is clear that the tallied March date won't support any "we told you so" reminders. This month's figures will be compiled in May. The Administration blames pendency of money bills before congress has been a deterrent to better business, by holding up purchases awaiting decisions that might prove money savers. The Treasury is inviting Doubting Thomases to watch automobile sales, now that it is known that the excises there will not be cut.

PAYMENTS of unemployment compensation are being closely watched not only as a barometer of the labor market but also because some industries have been so delayed in changeover from military to civilian production that their laid-off employees are running perilously close to the point of exhausting their eligibility for payments out of the fund. To the extent that such exhaustion is reached before upswing begins, the national problem will be intensified.

OUTSMARTED themselves, probably is the best explanation for the predicament cigarette ad writers find themselves in. When they allied the medical men with the tobacco men, they invited the competitive slogans which emphasized the relaxing effect of a smoke—the treat instead of a treatment; eventually there was a full-scale medical argument going and now the industry which spends millions of dollars each year for advertising finds itself defending.

WASHINGTON SEES:

Misgivings about nuclear weapons are causing many congressmen to think aloud that it might be well to halt the onrush toward the world destruction which they're thoroughly convinced is inherent in loosing of the new forces. The limited number of legislators who have seen the "drops" in the Pacific are maintaining an ominous silence. This has convinced their colleagues there is truth in the rumorings that the more recent tries show the explosives were out of control and, worse yet, probably uncontrollable.

Ray of hope is found in the fact that sources which feed authentic material from Russia say there has been a spurt there of press material and other informative data on America's H-Bomb. The stories recognize the weapon for what it is, and the free flow of news points up two possibilities: 1. Russia hasn't anything to match the H-Bomb and is coming around to the line of thinking that it's time to make more serious overtures toward peace. 2. The Kremlin realizes that any overt act of enough seriousness to bring on a shooting war would see a series of catastrophic "drops" over Russian territory as a starter, and the civilian population is being conditioned to accept it as an initial crushing blow which, they're being told, doesn't mean ultimate defeat.

Release of official motion pictures showing what results from a hydrogen explosion were frightening to say the least; more frightening when it's realized that the one shown was mild compared to two later blasts, each of increasing horror. Terror is magnified at the thought that this country may not be alone in the knowledge of H-force.

As We Go To Press

The country should devote to other purposes the time and energy now spent worrying over lack of speed in determining how much money federal agencies will spend and how much less money will be represented in Treasury receipts. The delays are not accidental; they can be traced only in part to the uncommon degree of distraction which side issues have caused. The senate finance committee will not be urged, or even argued, into quick action on the house-passed Revenue Act rewrite. The White House and the republican leadership probably will hold it until June; unless, that is, there is a strong economic wind blowing in either direction in the meantime. Delayed hearings, prolonged inquiry, resumption of hearings...these and other technics of a stalling nature can be expected.

It's reasoned that conditions must be more favorable to long-view economic outlook before the Administration can know precisely what type of money bills it wants. The White House and the republican leadership have been saying, first, a prohibiting, then a pleading, no, to all forms of tax cut. But things got out of hand on excises and could do the same thing if the larger Revenue Act is presented against a backdrop of slumping economic trends. If the graph lines follow the pattern of the past few months (not too bad, but nothing to cheer about) Ike is likely to yield to demands for higher individual income tax deductions. If the issue were forced today, the Administration probably would win. But it isn't considered wise to win merely for the sake of victory; possibly being put in the position, later on, of admitting apparent needs were ignored, tax relief after all was needed.

Tags such as "New Look," have flapped back in the faces of their inventors. Actually the new look which the Pentagon is giving the military programs reflects evolution based on studies and experience; there have been many new looks at defense between the powder horn and the atomic bomb.

Some of the military concern springs from the ages-old rivalry among the services, a rivalry intensified by partitioning of the military arms three ways. Each of them -- land, sea, and air -- still considers the other two to be auxiliary arms, considers appropriations should be parceled out on that basis. The new look was first proposed by General Billy Mitchell. It has been clearing focus since that pre-World War I era. Now it has come into full bloom with the experience of two world wars and the best part of half a century's experience. The Air Force is on top in more ways than one. There is no basis for forecasts that the foot soldier has been relegated but it's certain that the Pentagon doesn't see him in the same light as '17 and '41. As a matter of fact choice almost has to be made between use of marching armies and A-bombs and H-bombs to some extent: these massive destroyers cannot be dropped within strategic areas if American ground troops are contesting for the "hills." It would mean destruction of our own men.

Congressmen who are calling loudly for reduction in the costs of government, defense included, are among the lusty howlers against the slashes now that the lawmakers have come face to face with the necessity of indorsing or vetoing the shift of emphasis which, in final analysis, is what the "new look" is. And it's hard to overcome the charge that a balanced budget has been put ahead of national safety. Even when the charge is not documented by facts. The argument has been carried even to the length of pointing out that what we're doing is exactly what the Kremlin would have us do -- rely on the new weapons, but leave ourselves without hop-off points to launch them.

To the length that the military budgets are cut, proponents of heavy appropriations for foreign aid, NATO and the like, gain strength. There already have been some outspoken declarations by British officialdom anent the A-bomb and the H-bomb. England assured the world, the friendly and the unfriendly nations, that she will have the last

word about being an intermediate point of billing for bombs to enemies of the Free World. Certainly the countries which have been the battle-grounds of earlier wars and could look for a like role in future outbreaks, don't relish the prospect of wipeout in a day. They survived hand-to-hand battle in other wars. They're beginning to ask pointed questions as to what the "new look" means to them. The answer probably must be given in heavy support, financial and military.

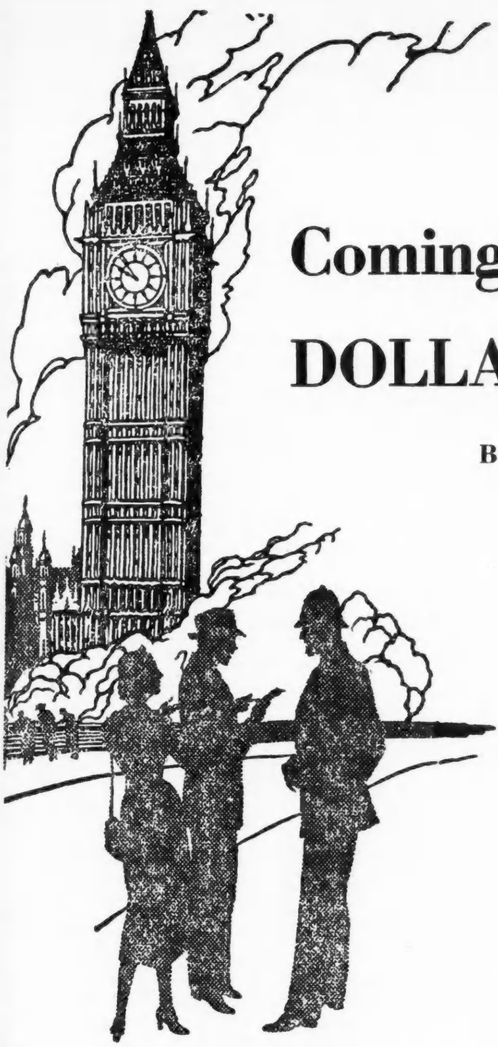
Decision on these and related questions cannot long be delayed -- it's only about two months to the date on which most of the big foreign aid programs evaporate. The Administration has not detailed its views. Again, congressmen must go back to the basic declaration: the State of the Union Message. There, Ike's philosophy is spelled out: military aid, and Point 4 (technical assistance), must be maintained at a point as close to full strength as is feasible; economic aid must be reduced -- this country cannot stand the drain without term, and foreign countries have been given time and assistance to get a good start toward normalcy. Capitol Hill thought ranges all the way from immediate and absolute financial cut-off to "transferring the fight overseas by buying security from attack." It would seem to be a reasonably safe forecast that the President eventually will come out for little more than token reduction in foreign financial aid; something to "serve notice" on the beneficiary countries to make ready for what eventually must happen -- the cutoff.

A purpose to destroy TVA seems apparent in a series of Administration proposals and house actions (not always identical), and the net result will be to bring the public power vs. private power into sharper focus than has been heretofore possible. Whether political advantage would accrue to the Administration is questionable; certainly disaffection in the new-won southern states would be the first cost. While staying the expansion of TVA was not a specific promise in the 1952 campaign there was a general pledge to reverse the trend of government in business. President Eisenhower started on that path when he denied TVA's request for $85 millions to expand facilities; the house appropriations committee evidently was motivated by like thinking when it chopped $38 millions out of the $141-million budget approved by the White House.

Striking close to the heart of the operation is legislation to wipe out TVA's authority to fix resale rates on power it sells, to coops, communities, power distribution companies, etc. Under the system that would result, cities could use their power rates as inducements to bring in business and industry; they could, if they deem it wise, place electric rates at a level that would wipe out other forms of local taxation. The latter step is drastic to be sure, but it is under serious consideration in some localities which are watching with interest progress of the resale repealer. By requiring the agency to pay interest on its borrowings from the federal government, strip itself of depreciation and obsolescence reserves, pending legislation would invite deterioration and unbusinesslike performance, say those who will fight the propositions to the last ditch.

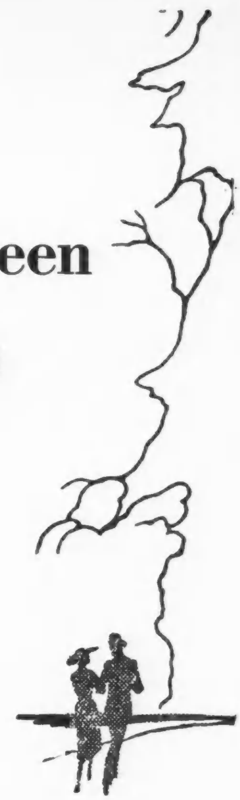
Dean Acheson may have performed a service to the Eisenhower Administration by speaking out on "instant retaliation" doctrine in the foreign policy. Now more detached than he possibly could be while Secretary of State, Mr. Acheson is able to gain clearer perspective, isolate weakness in the Dulles presentation without changing the principle. Loose use of the term "initiative" has been indulged. Even Ike has adopted it, repetitiously. But as Acheson points out, the Eisenhower-Dulles word should be preparation, not initiative; one should not boast of the initiative in aggression in days when peace is prayed for. There is an element of saber rattling that must be disquieting to friendly democracies abroad and unifying to the communist adherents.

On the other hand, Acheson appears anxious to write inflexible ground rules for peace or war. He appears to believe that it is within the power of the United States to pick the time and place, choose the weapons. His notions of piecemeal wars as being the limit of this country's power to finance, the avoidance of striking at the heart of the enemy, dismisses the idea of massive push-button attack on our own shores. The State Department and the Pentagon must, as always, plan against the hardest possible war, not the simplest conflict.



Coming Struggle Between DOLLAR and POUND

By HOWARD NICHOLSON



When the British last March reopened the London gold market, after a lapse of more than fourteen years, it set in train some significant developments which are likely to have repercussions in the United States as well as in the newly extended international areas where sterling has now become freely transferable. This is not to say that these developments will necessarily be unfavorable so far as the United States is concerned but that it will raise new problems cannot be gainsaid.

In effect, the British move is calculated to end the jungle of sterling restrictions and to widen international trade. The effects should also bring Commonwealth nations into closer touch with the motherland from a trade and financial viewpoint. Also, it is more than likely to make London once again the world centre of gold trading.

In this sense, the pound again becomes a rival of the dollar though some ironical overtones are noted in the fact that this could not have come about without the pouring out of American billions to help support the British economy both during the war and in the years following.

Furthermore, there are political repercussions. As the British attain greater financial independence they are also likely to seek greater political independence. This involves a clash of Anglo-American policies, both trade and diplomatic, with reference to Soviet Russia and, especially, Communist China with whom the British remain on quasi-friendly terms, despite our deep seated hostility to anything which would strengthen Red China.

Despite these obstacles, it would seem that the American position remains impervious, and that the position of the dollar internationally will remain strong as against the pound. It seems about as inevitable as anything in a modern world that despite many American problems the train of events must lead to a durable leadership on the part of the United States. *This must come about because the creation of a successful and enduring free gold market in Europe, enabling not only Great Britain but other Western nations to stabilize and increase the volume of their trade, must create an ultimate and, perhaps early American dominance.*

American Position Invulnerable

The American gold position makes this country practically invulnerable to any trade assaults which can be made upon her with the result that we should benefit by Europe's efforts to better her position. High American productivity and technology are formidable factors in the race with European prospective rivals.

Great Britain is making a desperate bid to recapture the leadership as a world financial and trading power which she enjoyed not only before the last war but before the First World War, a point at which she had maintained the gold pound as an international measure for almost exactly a century. However, a deep change has taken place in the relative positions of the two great English-speaking nations since World War I and no strength Britain can gain in our time can displace present American leadership.

Some apprehension has been expressed in the United States that the British policy, shared in by other Western European nations, to increase trade with Russia constitutes a threat on this side of the Atlantic. Even in the most tranquil and active times in Russia since the Revolution, Russian trade; that is Russian exports, extended little beyond furs, timber and wood products, a very limited amount of grain, manganese, a few rough textiles and fibres, fish and flax and such high value specialties as caviar and platinum that had been the conventional exports of the Czarist regime. The successive Five Year Plans strove to build up Russian production. They did not succeed.

To be sure, the old Russia, even the Russia of the Five Year Plans, has added conquered territory, nations with higher productive skills. Czechoslovakia, for example, produced shoes and other leather goods, fine pottery, engineering goods—a variety of well-made articles which found markets over the world and good markets in the United States. It will be remembered that one large Czech shoe manufacturer actually started a chain of retail stores in the United States.

All that is in the past. The United States Government keeps in as close touch as possible with developments in the Russian subject countries and the information is beyond question that these satellite nations are far below their production quotas and, despite the most desperate and savage punitive actions are falling farther and farther below fixed marks.

It is not difficult to understand the eagerness of Great Britain to increase her trade anywhere she can find markets. When Napoleon scoffingly described the British as a nation of shop-keepers he was more accurate than, perhaps, he realized. In the ensuing century their shop-keeping, implemented in large part by their world-wide delivery system, the British merchant marine, gave them a world dominance the like of which never had been achieved before. Their investments all over the world (including the United States where they financed early canal and then railroad building) built up an immense invisible cash import, placing them in the position of financial arbiter of the world.

Always the British have retained the shop-keeping, the trading eye. It may be remembered that, in the First World War, Americans formed an organization pledged to boycott goods made in Germany. Not a few people of England were reported to have joined the movement. It was preached that the hated Made in Germany brand, if effectively boycotted, would mean the reduction of the German people to harmlessness. Yet the historic fact is that the ink was scarcely dry on the Armistice of 1918 before British business men were in Germany soliciting orders for goods and making deals to buy German goods!

Britain and Russian Trade

So it is not at all surprising that, aside from any political prejudices or considerations, the British today are eager for Russian trade. When the Labor Party was in power in England, such an attitude was not out of line; many leaders leaned strongly toward Russia even politically. But it is to be observed that the ultra-conservative Churchill regime has changed the trading attitude little if any. For one thing, it is the traditional British belief that if they can dominate the trade of a country or a region, they can dominate its political complexion. That has proved true for a long period over much of the world.

Harold Stassen, at the order of President Eisenhower, made a flying trip to London in an effort to induce the British to exclude many strategic items from the list of goods to be exported to Russia in the course of trade extension. He made but little progress so far as any fixed agreement is concerned. *The basic facts of the situation are that the British are unwilling to be dominated by American political policies now that, with the aid of American gifts and loans dating all the way back to the First World War, they are on their economic feet once more.* In fact they are glad to be free of American leading strings and feel that their long world experience in world trade will enable them to hold their own in any foreign trade field.

What is of fundamental importance here, in this entire situation, is that despite British efforts the United States almost certainly will not be a loser but can scarcely avoid being a gainer in the whole eastern trade adventure. In the last five years the highest figure for total Russian foreign trade, reached in 1951, was $3.5 billion. This was the total export and import business of this vast empire which has been estimated as having as many as 800,000,000 population and enormous, although but partially developed resources. Trade between United States and Canada, the latter with only about 15,000,000 population, runs around $6 billion a year. And yet Russia, for a long time, has striven to do better. The fact is the idea of an enormous trade is chimerical in the sense that Americans know trade.

But there is another factor in all this. Representatives of the gold producing nations of the world have for many years held annual meetings. Russia continued to be represented even after the Revolution, save for an interruption during the period of greatest turbulence. Each year the various nations reported on their gold production. Beginning about three years before the Iron Curtain descended, Russia reported hugely increasing gold production. It was stated that there had been a gold strike in the Lena Basin which appeared to be comparable to the

California discovery or at least the Yukon. It has been twenty years now since any further gold report has come out of Russia but if, as seemed likely, the Lena Basin strike was genuine, then the Soviets have a mountain of gold. Pure guesses have placed it at $20 billion.

Now, having little in the way of natural or manufactured goods to trade, Russia conceivably will begin to use her gold. She has sold an estimated $200 million in a little more than a year. Obviously she has no use for it at home, not even to secure a currency which is for domestic use wholly a fiat issue.

Russia wants to import consumer goods; indeed she must to postpone the bursting of unrest into uncontrollable revolution. It is but the part of commonsense to continue the policy she has begun of using this vast store of gold. she buys goods made in America, in England and in other Western European industrial nations. She buys food and machinery. She buys everything she can. With every payment she makes in gold she strengthens the gold holdings of the western nations, already so far on the way back to stability, to convertibility and even to complete redemption!

Many of the raw materials of European manufacture as well as finished goods themselves will move from America to enter this market. So the gold flowing from Russia will move through British and other European hands to America. With gains realized from this eastern trade, European debts can be paid to American creditors. The entire tendency of an enlarged eastern trade, if it resulted in an outflow of gold from Russia, would be the stabilization of world trade.

All this would mean a return to sharp competition. R. A. Butler, British Chancellor of the Exchequer, recently warned his people that they can only hope to maintain their climb back to solvency and a dominant world position by keeping prices down. There is pressure here to ease tariff barriers and some alarm has been expressed that the British may prove stern trade rivals but that is something which must be expected. Indeed, the whole basis of the Marshall Plan and all the other forms of assistance, economic and military, to Europe, was an effort to restore those countries to a competitive rather than a wholly dependent position. America has paid something like $50 billion to get Europe back on its feet and must take the consequences, so far as competition is concerned.

This brings us to the question of American tariffs vs. British exports to the U.S. It is rather amazing that some Americans are naive enough to believe the British export interests would have the slightest qualms about underselling American competitors in our home markets, if given a chance. This probably remains the weakest point in the American economy so far as British competition is concerned. To this, also, must be added the encroachment on American exports to Canada, Australia and New Zealand where we are likely to find ever keener British competition.

Trade Rivalry from Other Directions

In the course of bringing American aid to foreign countries, American officials insisted that beneficiaries must accept democratic doctrines. In earlier missionary days in the Far East, there grew up communities of what were known as rice Christians; that is, converts so long as they received rice. In much the same manner, American agents have created rice democrats by, at a price, for a bribe, imposing democratic processes on peoples who do not like democracy and do not want it. It is certain that as soon as they can throw off controls, they will express in trade rivalry as much as they can of their resentment.

The important thing (*Please turn to page* 126)

Principal United Kingdom Imports from the United States

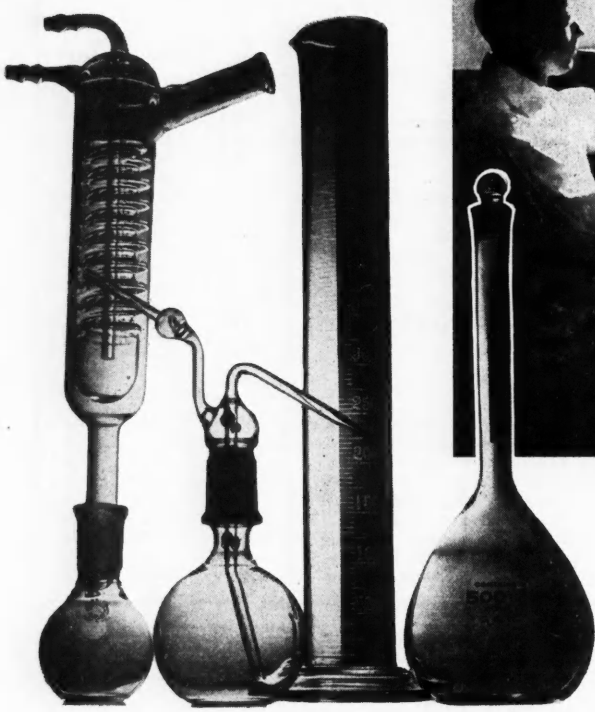
(Millions of pounds sterling)

Commodity	Ten months ended October 31 1951	1952	1953
Manufactured articles:			
Iron and steel manufactures	2.7	25.5	6.2
Nonferrous metals and manufactures	17.1	25.0	8.0
Machinery	19.3	37.5	34.2
Chemicals, etc.	11.9	6.9	6.0
Oils, fats, and resins, manufactured	33.6	29.3	25.0
Paper, cardboard, etc.	5.0	2.6	1.9
Other manufactures	7.2	6.4	5.8
Food:			
Grain and flour	53.9	36.5	31.4
Dairy produce	15.3	.2	1.8
Miscellaneous foods	15.8	13.7	5.6
Tobacco	31.2	13.4	33.2
Raw materials:			
Sulphur	4.9	5.0	2.0
Nonferrous metalliferous ores & scrap	1.7	1.0	1.4
Wood and timber	12.4	7.3	2.4
Raw cotton and waste	24.8	30.7	20.0
Seeds and nuts for oils, fats, etc.	6.5	3.7	2.6
Hides and skins, undressed	3.5	2.2	2.5
Paper-making, etc., materials	2.8	2.5	.9
Rubber (synthetic)	.8	1.3	1.0
Total (items specified above)	270.4	250.7	191.9

Principal United Kingdom Exports to the United States

(Millions of pounds sterling)

Commodity	Ten months ended October 31 1951	1952	1953
Spirits	14.4	15.9	14.1
Nonferrous metals and manufactures	6.3	10.7	12.4
Woolen & worsted yarns & manufactures	11.2	11.5	11.0
Automobiles	6.5	10.7	10.6
Machinery	6.0	7.7	9.6
Chemicals, drugs, etc.	9.7	8.4	6.8
Iron and steel and manufactures	5.8	3.4	6.5
Wool and woolen rags	6.5	5.8	5.6
Linen piece goods	4.3	3.3	4.1
Pottery, glass, etc.	3.6	3.4	3.7
Bicycles	.8	1.3	3.0
Cotton yarns and manufactures	3.3	2.2	2.7
Cutlery, hardware, etc.	1.6	1.7	2.2
Leather and manufactures	2.6	1.8	2.1
Knitted woolen goods	1.2	1.5	1.8
Leather boots and shoes	1.5	1.3	1.5
Curios	1.5	1.8	1.5
Books	1.2	1.5	1.3
Paper, cardboard, etc.	1.3	1.0	1.1
Jute piece goods	.5	.4	.7
Agricultural tractors	.1	.3	.6
Motorcycles	.9	.8	.6
Stockings and hose of wool	1.0	.5	.6
Toys	.4	.4	.5
China clay	.5	.4	.5
Silk & artificial silk yarns & manufactures	1.1	.3	.3
Total (items specified above)	93.8	98.0	105.4



Appraisal of 1954 Outlook for

CHEMICAL INDUSTRY

NO. 3 OF OUR SPECIAL STUDIES OF MAJOR INDUSTRIES

By GERALD L. WILSTEAD

After four years of unprecedented plant and equipment expansion, the chemical industry rang up record breaking sales of more than $20 billion in 1953—a gain of 10% over 1952. Pre-tax profits were estimated at $2.5 billion, for a return of about 14% on sales, and were approximately 6% greater than in 1952.

Taxes totaled $1.4 billion, thus leaving a net after taxes of around $1.1 billion. If one compares the 14% pre-tax margin with that of many other important industries averaging roughly 9%, it becomes evident that the chemical business is in the forefront as one of the highest earnings industries.

Since the chemical industry is still engaged in a tremendous expansion program, one may ask the question whether the present contraction in the economy as a whole would not indicate rough sledding in the months ahead. The apparent optimism expressed by chemical management is forcefully illustrated by the fact that the industry anticipates expenditures of more than $1.3 billion for new plant and facilities this year, after having spent $1.6 billion in 1953 and $1.4 billion in 1952. It should be kept in mind, however, that some of this year's outlays are, of course, for completion of previously started programs.

From an over-all point of view, it seems likely that 1954 sales will make at least a credible showing compared with last year, but net profits pose another question, particularly those which are reported to stockholders. It is not possible merely to point to the elimination of the excess profits tax as an offset to increasingly competitive conditions and price reductions, in spite of the fact that discontinuance of this tax will aid materially in bolstering net earnings. Rather, it is imperative to keep in mind that charges for accelerated amortization and increased depreciation will depress reported earnings through several more years, with a peak in such charges to be reached by 1956-57.

It now remains to be seen whether these internally generated funds, which should permit maintenance of current dividend rates in most cases, will be properly evaluated by the market, or whether the fact that the chemical industry is likely to operate at only 75% to 80% of capacity during the period ahead will be uppermost in the minds of investors and, thus, result in a repetition of the lack-lustre performance of chemical stocks experienced some time ago.

In spite of the probability that profits will remain at satisfactory levels, although not uniformly so, the fact that physical capacity of the chemical industry has increased by over 30% in the last three years, adds to the problem of the industry. In contrast with the past, chemicals have become so closely woven into the fabric of the entire economy that a more definite correlation between general business conditions and the fortunes of the chemical industry must now be expected. While by no means depression proof, this business displayed a stronger resistance to adverse economic conditions in former years than many other industries, but inasmuch as it has gradually changed to being a direct supplier of finished products, in addition to supplying raw

(*Please turn to page* 94)

Comparative Earnings and Dividend Records of Leading Chemical Companies

	Earnings Per Share			Dividends Per Share			Recent	Div.	Price Range
	1951	1952	1953	1951	1952	1953	Price	Yield*	1953 to Date
Air Reduction	$ 2.69	$ 2.25	$ 2.06	$ 1.40	$ 1.40	$ 1.40	23½	5.9%	29⅜- 22¼
Allied Chemical & Dye	4.58	4.55	5.10	3.00	3.00	3.00	79	3.7	79⅞- 62
American Cyanamid	4.04	3.07	3.15	2.00	2.00	2.00	44	4.5	55⅞- 41⅝
Atlas Powder	3.24	3.21	4.03	2.00	2.00	2.00	41	4.8	41½- 31¼
Columbian Carbon	3.39	2.69	3.22	2.25	2.00	2.00	45	4.4	51¾- 37
Commercial Solvents	2.22	.53	1.01	1.25	1.00	1.00	16½	6.0	22¼- 16
Davison Chemical	4.18	3.24	3.27	1.50	1.50	1.50	39	3.8	41½- 31¾
Diamond Alkali	2.94	2.18	2.39	1.22½	1.50	1.50	29	5.1	33 - 25
Dow Chemcial	2.00	1.65	1.58	.80[1]	.80[1]	1.00[1]	35½	2.8	43⅝- 33¼
Du Pont	4.64	4.70	4.94	3.55	3.55	4.00[2]	113	3.5	113¼- 91
Food Machinery & Chemical	4.01	3.41	3.50[3]	1.75	2.00	2.00	40	5.0	43¾- 33¼
Freeport Sulphur	2.63	3.05	3.56	1.83	2.00	2.50[2]	61	4.1	62 - 39¼
Hercules Powder	4.95	4.03	4.19	3.00	3.00	3.00	73	4.1	75¾- 60¼
Heyden Chemical	1.92	.65	.69	1.00	.87½	.50	16	3.1	18⅞- 12⅛
Hooker Electrochemical	3.46	2.90	2.87	2.00	2.00	2.00	64	3.1	65¼- 55
International Minerals & Chemical	3.06	2.90	2.87	1.60	1.60	1.60	34	4.7	39¼- 27½
Jefferson Lake Sulphur	1.79	1.65	2.02	.77½	1.00	1.20[2]	21	5.7	25⅜- 17¼
Koppers Company	6.32	4.29	4.51	2.50	2.50	2.50	34½	7.2	41⅜- 28¼
Mathieson Chemical	3.56	3.44	3.30	1.70	2.00	2.00	39	5.1	42¼- 34½
Monsanto Chemical	4.70	4.29	4.90	2.50	2.50	2.50	83	3.0	95⅜- 79
Nopco Chemical	2.25	1.67	1.88	1.45	1.20	1.35	20	6.7	20¾- 16
Pennsylvania Salt Mfg.	3.55	2.59	2.50	2.00	1.70	1.70	43	3.9	52¼- 40¼
Pittsburgh Coke & Chemical	4.08	2.12	2.63	1.25[1]	1.25[1]	1.25[1]	21½	5.8	29¾- 18⅝
Rohm & Haas	7.48	5.73	6.73	1.60[1]	1.60[1]	1.60[1]	162	1.0	170 -115
Spencer Chemical	4.23	3.61	4.01	1.80	2.00	2.40[2]	58	4.1	60⅞- 44
Tennessee Corp.	4.24	4.37	4.57	2.25	2.30	2.30[2]	49	4.6	49¼- 33
Texas Gulf Sulphur	7.62	7.52	7.35	5.50	7.00	5.00	86	5.8	110⅞- 78¼
Union Carbide & Carbon	3.61	3.41	3.55	2.50	2.50	2.50	74	3.3	75¼- 61½
United Carbon	4.58	4.52	4.88	2.50	2.50	2.50	65	3.8	66 - 48¾
U. S. Potash	3.33	2.90	2.35	2.00	2.00	1.80	29	6.2	36¾- 26
Victor Chemical	1.60	1.39	1.76	1.05	1.05	1.20[2]	29	4.1	29¾- 24⅛
Virginia-Carolina Chemical	6.31	4.81	5.12	Nil	Nil	Nil	22½		25⅛- 16⅛

*—Based on 1953 dividends. [1]—Plus stock. [2]—Indicated 1954 rate. [3]—Estimated.

Air Reduction: Second largest producer of oxygen and acetylene gases used mostly in welding, as well as the leader in dry ice. Industry competitive. (N)

Allied Chemical: Major company concentrated in heavy chemicals for many years. Recently expanding into lighter products with wider margins. (H)

American Cyanamid: Important chemical and drug manufacturer with record of growth. Just bought antibiotic division of Heyden Chemical. (H)

Atlas Powder: Mostly cellulose derivatives, industrial finishes and resins. Newer products include sorbitol (competitive with glycerine). (H)

Columbian Carbon: Leading independent producer of carbon black. Also active in natural gas, printing inks and pigments. (H)

Commercial Solvents: Products include highly competitive industrial alcohols and ammonia derivatives, as well as antibiotics. (H)

Davison Chemical: Principally superphosphates and mixed fertilizers. Also certain catalysts. Control acquired by W. R. Grace & Co. (H)

Diamond Alkali: Medium-sized in alkalis and their derivatives, such as chlorine and caustic soda. (N)

Dow Chemical: Outstanding growth among leading companies. Products based on few raw materials. Mainly industrial chemicals, plastics and magnesium. (H)

DuPont (E. I.): The largest chemical company and stockholder of General Motors. Wide diversification, with emphasis on profitable end-products and intermediates. (H)

Food Machinery & Chemical: Originally food and packaging machinery. Merger with Westvaco Chlorine added chlorine, caustic soda and other lines. (H)

Freeport Sulphur: Second leading sulphur producer with important new reserves. Growing oil interests. Nickel-cobalt deposit in Cuba. (H)

Hercules Powder: Important in cellulose products and plastics, as well as turpentine derivatives. New petrochemical product. (H)

Heyden Chemical: Mostly formaldehyde and fine chemicals. Recently sold antibotics division to American Cyanamid for $12 million cash. (N)

Hooker Electrochemical: Chlorine and caustic soda produced by electrolytic process with low-cost power. Also newer lines. (H)

International Minerals & Chemical: Bulk of sales from superphosphates, fertilizers, phosphate rock and potash. (N)

Jefferson Lake Sulphur: Smaller sulphur producer. Operations somewhat marginal and dependent on possibilities of new sulphur discovery. (N)

Koppers Co.: Construction of coke-ovens, and production of tar and other by-products. Expanding into resins and plastics. (H)

Mathieson Chemical: Originally dependent on alkalies and heavy chemicals. In 1952 acquired E. R. Squibb with long-established ethical and proprietary drug products. (H)

Monsanto Chemical: Major producer of fine and organic chemicals, including plastics. Wide diversification. Outstanding growth record. (H)

Nopco Chemical: Industrial chemicals used in textiles, leather, paint, etc. Also metallic soaps and vitamin products. (H)

Pennsylvania Salt: Variety of industrial chemicals and specialties derived mainly from salt. Acquisition of Sharples Chemicals (1951) added certain lines. (N)

Pittsburgh Coke & Chemicals. Although small, company's operations in pig iron, coke and by-products production are integrated. (N)

Rohm & Haas: Outstanding growth. Diversified line. Plastics and resinous products most important. (H)

Spencer Chemical: Rapidly growing petrochemical products, including synthetic ammonia and plastics derived from natural gas. (H)

Tennessee Corp.: Processes copper-sulphide ores to obtain iron sinter, copper, zinc, and sulphuric acid. (N)

Texas Gulf Sulphur: Largest domestic producer of native sulphur. Extensive reserves include new Spindletop Dome. (H)

Union Carbide & Carbon: Second largest chemical company. The leader in plastics. Products include chemicals, metals, alloys, industrial gases and synthetic fibers. (H)

United Carbon: While next to leading independent in carbon black, company is relatively more important in natural gas and oil interests. (H)

U. S. Potash: Company mines and refines potash used in fertilizer, paint, soap and other industries. (N)

Victor Chemical: Second leading producer of phosphate chemicals used mostly in non-durable consumers goods. Slow but steady growth. (N)

Virginia-Carolina Chemical: Mostly mixed fertilizers. Also certain acids, cleansers and insecticides. Has new synthetic fiber. (N)

Rating: (H) — Hold. (N) — Neutral.

Comprehensive Statistics Comparing the

Figures are in million dollars except where otherwise stated.	Air Reduction	Allied Chemical & Dye	American Cyanamid	Atlas Powder	Commercial Solvents
CAPITALIZATION:					
Long Term Debt (Stated Value)	$ 23.7	$200.0	$114.3	$ 5.0	$ 25.0
Preferred Stocks (Stated Value)	$ 24.8	....	$ 6.0	$ 6.8	....
Number of Common Shares Outstanding (000)	2,737	8,857	8,646	545	2,636
TOTAL CAPITALIZATION	$ 76.5	$244.2	$206.8	$ 22.7	$ 31.6
INCOME ACCOUNT: For Fiscal Year Ended	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
Net Sales	$131.4	$545.5	$380.0	$ 58.7	$ 51.3
Deprec., Depletion, Amort., etc.	$ 6.8	$ 22.6	$ 21.3	$ 1.6	$ 2.9
Income Taxes	$ 6.9	$ 37.2	$ 25.0	$ 3.1	$ 2.3
Interest Charges, etc	$ .7	$ 6.7	$ 3.9	5 .2	$ .9
Balance for Common	$ 5.6	$ 45.1	$ 27.2	$ 2.2	$ 2.6
Operating Margin	10.5%	15.2%	11.8%	9.4%	10.2%
Net Profit Margin	5.1%	8.2%	7.2%	4.2%	5.1%
Earned per Common Share*	7.0%	13.1%	11.1%	8.8%	7.1%
Percent Earned on Invested Capital	$ 2.06	$ 5.10	$ 3.15	$ 4.03	$ 1.01
BALANCE SHEET: Fiscal Year Ended	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
Cash and Marketable Securities	$ 16.2	$194.8	$106.0	$ 8.6	$ 7.4
Inventories, Net	$ 12.1	$ 60.1	$ 75.4	$ 8.6	$ 11.3
Receivables, Net	$ 16.0	$ 48.2	$ 41.2	$ 6.8	$ 8.7
Current Assets	$ 54.4	$303.2	$222.7	$ 24.1	$ 27.5
Current Liabilities	$ 14.8	$124.0	$ 79.7	$ 7.2	$ 6.4
Working Capital	$ 39.6	$179.2	$143.0	$ 16.9	$ 21.1
Fixed Assets, Net	$ 79.0	$368.7	$199.7	$ 15.8	$ 38.3
Total Assets	$135.1	$702.5	$443.1	$ 40.5	$ 69.8
Cash Assets Per Share	$ 5.91	$ 21.99	$ 12.26	$ 15.78	$ 2.81
Current Ratio (C. A. to C. L.)	3.7	2.4	2.8	3.3	4.3
Inventories as Percent of Sales	16.1%	11.0%	19.0%	14.7%	22.0%
Inventories as Percent of Current Assets	39.0%	19.8%	33.8%	35.9%	41.1%
Total Surplus	$ 43.2	$299.9	$155.2	$ 10.0	$ 30.8

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

materials to others, intermediate or cyclical fluctuations in general economic conditions could well affect the chemical industry more rapidly than in the past. The reason for the increased output of finished products lies in the simple fact that profit margins improve in direct proportion with the approach to the end product.

In its entirety, the chemical industry is a tremendously large and complex business, the basic function of which remains the conversion of raw materials into products of wider use and greater value. Feeding into practically all parts of the economy, the value of chemical and allied products accounts for about 6% of Gross National Product. Approximately a decade ago, this ratio was only 4½%, thus revealing the pronounced growth of the chemical industry which has exceeded that of the Gross National Product.

In relation to the gain in dollar value, the increase in the rate of physical output of chemicals has outrun that of total industrial production to an even greater extent. The answer to this apparent anomaly can be found in the fact that prices of many chemical products, through volume production and improved methods, have remained at pre-Korean levels. The latter point may lead to the conclusion that prices of chemicals would be less vulnerable than those of other commodities. That, however, is only partially true, as the so-called heavy chemicals are quite susceptible to over-supply situations. Nevertheless, there has rarely been any prolonged destructive price-cutting in the industry, and the chemical field, moreover, is so vast that it allows individual companies to turn to products that are only partially in direct competition with those of others.

Largest Industrial Consumers

The major consumption outlets for chemicals by industries are lead by the fertilizer business, followed by rayon, pulp and paper, paint and varnishes, petroleum refining, glass and plastics. It is pertinent to observe that there have been several shifts in position among the principal chemical-consuming industries. For instance, the glass and leather industries have declined in their percentage of total consumption, while rayon and plastics have advanced over pre-war years. It is important, therefore, when analyzing chemical companies, especially the smaller ones, that due weight be given to the industries which they serve. By the same token, it follows that a strong argument in favor of the large well diversified companies is that they supply a great variety of industries and, consequently, are less likely to suffer much in the event that demand from one specific industry declines.

From a long range point of view, the secular growth trend of the chemical industry will unquestionably continue and although temporary excess capacity will recur from time to time, chemical

Position of Leading Chemical Companies

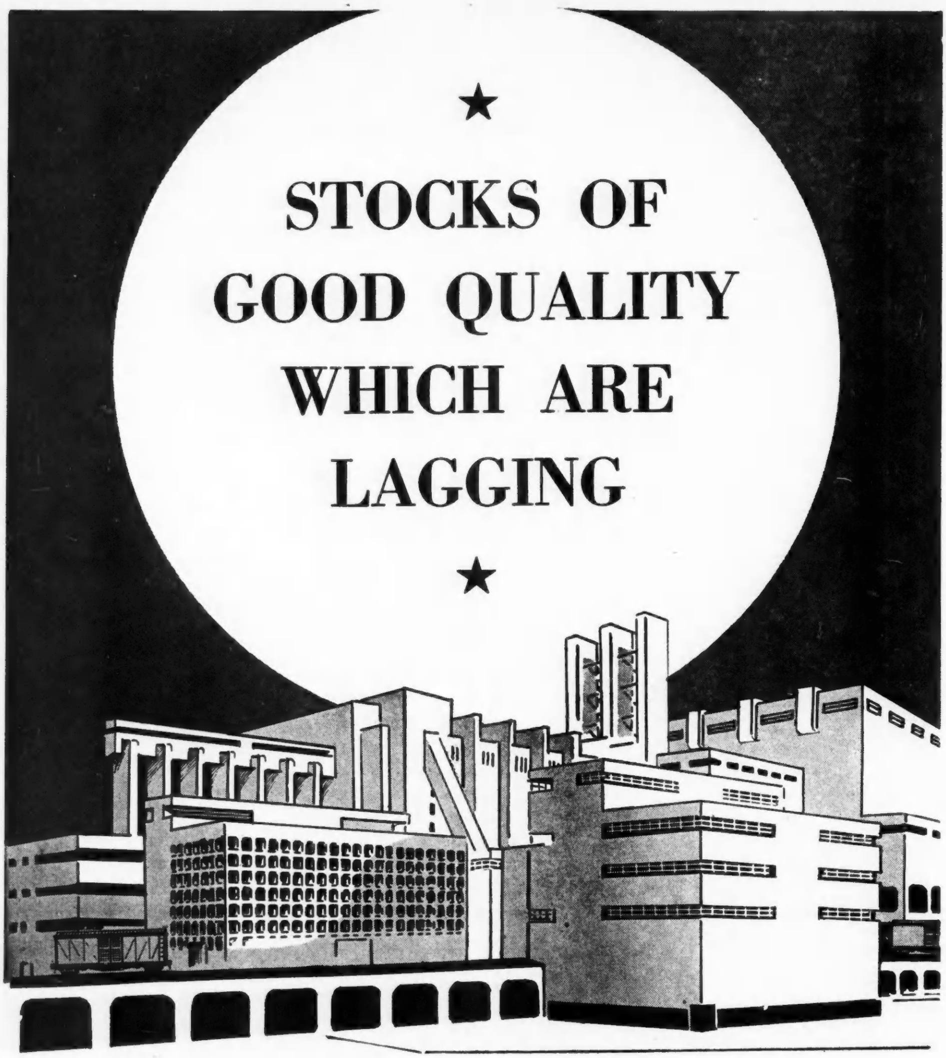
Diamond Alkali	Dow Chemical	Du Pont	Hooker Electro-Chemical	International Minerals & Chemical	Mathieson Chemical	Monsanto Chemical	Rohm & Haas	Union Carbide & Carbon
$ 25.0	$249.1	....	$ 20.0	$ 31.2	$ 77.1	$ 96.9	$ 9.2	$330.0
$ 11.6	$ 30.3	$268.8	$ 14.7	$ 9.8	$ 18.0	$ 15.0	$ 6.1	....
2,264	21,986	45,454	977	2,316	5,456	5,270	935	28,321
$ 59.2	$389.4	$469.1	$ 39.6	$ 52.6	$122.5	$138.3	$ 34.0	$540.1
12/31/53	5/31/53	12/31/53	11/30/53	6/30/53	12/31/53	12/31/53	12/31/53	12/31/53
$ 86.7	$430.3	$1,765.4	$ 38.6	$ 88.8	$243.5	$340.6	$120.7	$1,025.8
$ 6.2	$ 52.0	$110.8	$ 3.0	$ 3.9	$ 10.4	$ 22.8	$ 5.8	$ 44.1
$ 5.2	$ 50.7	$404.8	$ 3.9	$ 2.8	$ 16.5	$ 23.0	$ 12.9	$124.9
$ .7	$ 9.5	....	$ .7	$ .8	$ 3.2	$ 3.4	$ .4	$ 11.5
$ 5.4	$ 34.6	$224.4	$ 2.8	$ 6.6	$ 18.0	$ 25.8	$ 6.2	$102.7
13.8%	20.7%	30.7%	18.9%	11.7%	14.8%	15.1%	16.3%	21.1%
6.8%	8.3%	13.3%	8.7%	7.9%	7.7%	7.7%	5.4%	10.0%
9.0%	11.2%	14.1%	8.8%	9.1%	12.5%	11.7%	11.5%	15.8%
$ 2.39	$ 1.58	$ 4.94	$ 2.87	$ 2.87	$ 3.30	$ 4.90	$ 6.73	$ 3.55
12/31/53	5/31/53	12/31/53	11/30/53	6/30/53	12/31/53	12/31/53	12/31/53	12/31/53
$ 9.5	$202.4	$295.7	$ 9.2	$ 16.7	$ 18.3	$ 40.9	$ 13.1	$140.2
$ 14.9	$ 74.2	$232.3	$ 7.1	$ 17.1	$ 53.9	$ 61.9	$ 16.7	$262.7
$ 9.2	$ 49.7	$131.6	$ 3.9	$ 8.9	$ 38.1	$ 34.4	$ 11.5	$107.3
$ 34.1	$326.4	$668.5	$ 20.3	$ 42.8	$109.9	$137.2	$ 41.4	$510.3
$ 12.1	$199.0	$127.0	$ 3.8	$ 7.4	$ 26.7	$ 27.8	$ 18.9	$207.1
$ 22.0	$127.4	$541.5	$ 16.5	$ 35.4	$ 83.2	$109.4	$ 22.5	$303.2
$ 68.0	$429.1	$1,273.2	$ 40.1	$ 70.4	$133.0	$192.4	$ 41.5	$658.3
$103.7	$768.6	$2,567.4	$ 62.2	$116.0	$339.2	$362.0	$ 84.6	$1,190.5
$ 4.21	$ 9.20	$ 6.50	$ 9.42	$ 7.23	$ 3.36	$ 7.76	$ 14.10	$ 4.95
2.8	1.6	5.2	5.3	5.8	4.1	4.9	2.2	2.4
17.2%	17.2%	13.1%	18.4%	19.2%	21.9%	18.1%	13.8%	25.6%
43.7%	22.7%	35.2%	35.1%	40.0%	48.5%	45.1%	40.4%	51.5%
$ 32.3	$179.4	$1,167.9	$ 18.7	$ 56.0	$104.3	$184.1	$ 31.6	$436.6

management, with few exceptions, having accurately gauged the rapidly unfolding growth characteristics of the business in the post-war period, inspires a good deal of confidence for the long term investor. The previously mentioned 30% expansion of productive capacity has come on top of almost $5 billion of capital expenditures during the five-year period following the war, and which had resulted in an increase in total assets of some 60% by the close of 1950.

Much of these expenditures have been undertaken by the larger companies to meet rising needs for basic chemicals which require outlays that are high. Others have been made to meet production goals of Government agencies for defense purposes. In order to stimulate construction of this particular type of stand-by facilities, the chemical companies were permitted to write them off in a comparatively brief period of time. The near-term effect upon earnings has already been referred to, but it is also advisable to remember that the companies' tax bills may be appreciably larger once tax savings from rapid amortization are no longer available. On the other hand, these companies will operate the most modern and efficient facilities and, in addition to the possibility of lower tax rates in future years, the companies could switch to normal depreciation rates at their discretion.

It has become some sort of rule of thumb that one dollar of sales will be seen for each dollar of plant investment. Though this is being exceeded by some companies and not achieved by others, the ratio has developed into a fairly useful measure for the projection of sales. The next usually available tool in appraising future prospects of chemical companies is the amount of money allocated for research and development. Generally speaking, many companies now spend approximately 3% of sales for research, although there exists considerable deviation from the norm. For instance, the heavy chemical producers are at the lower end of the scale, with research expenditures at less than 2% of sales, while companies having entry into the drug business are in the upper range. The fact that a given company is spending more for development than some of its competitors does not, of course, provide any assurance that it will be more successful and experience a superior sales growth. Here, imagination and efficiency of management, plus a goodly portion of luck, play a most important role, not to forget the sometimes unexplainable attitude of the public.

Experience shows that one may look for roughly $5 of sales for each $1 spent on research. Although the Manufacturing Chemists' Association reported an average pre-tax margin of 14%, there are quite a number of publicly owned companies that bring down a much larger operating profit. Assuming for the sake of illustration a 20% pre-tax margin, one arrives at a potential profit of 50¢ after taxes for each $1 appropriated for (*Please turn to page* 120)



STOCKS OF GOOD QUALITY WHICH ARE LAGGING

By JOHN D. C. WELDON

The strong market of the past few months has failed to budge a surprising number of important stocks. This is rather a new development.

In contrast, investors have in reality been accustomed to the laggard action of hundreds of secondary and marginal stocks. Many, in fact, are selling 50% and more below their 1946 highs, which is a long time indeed, for a stock to lag behind in such strong markets as we have had since the end of the war. However, when backward market action spreads into really important issues in opposition to the main trend, it is a matter of real concern to investors since issues of this type normally occupy a substantial position in investment portfolios, whereas the secondary type of stocks are generally ignored by the more perceptive and experienced investors.

Among well-known issues which have substantially failed to participate in the general rise which took place between last September and the end of March are such important examples as: Caterpillar Tractor, Allis-Chalmers, Montgomery Ward, and United Fruit, Commercial Solvents, Standard Brands and Electric Auto-Lite, all representing concerns that are in the forefront of their industries.

We have selected ten of these stocks, all of which are among the leaders of their industry and quite familiar to the investing public, appraising their position and prospects as to earnings and dividends in the following concentrated comments:

ALLIS-CHALMERS MANUFACTURING CO. Sales of $514 million in 1953 compared well with the previous year with sales of $513 million. Considering the somewhat unsettled conditions in the agricultural regions this was an excellent showing. Earnings were $6.58 a share on the higher common stock capitalization of 3,267,000 shares as against $7.98 a share on the 2,955,000 shares outstanding in 1952. Important features are the still high volume of production to fill military orders, with $18 million

outstanding for the tractor division alone. Acquisition of the Buda Company is expected to lower engine costs and with $43.5 million expended for capital improvements the company is keeping itself in the best possible physical condition. A potential development of importance is the company's interest in the nuclear energy field through manufacture of special equipment. The company pays $4 a share in dividends and the rate should be maintained. The stock is now selling around 47 and in 1953 sold as high as 59½. Earnings this year should be cushioned to some extent by the end of EPT. The stock should be retained by present holders.

CATERPILLAR TRACTOR CO. Showing the effects of the decline in farm income, sales for the company dropped in 1953 to $433 million from $477 million the previous year. Earnings were $4.84 a share compared with $5.11 a share. The decline in defense business had a material effect but the 1954 volume is expected not to drop below present lower levels. The president has stated that total sales this year probably will be under 1953. Fundamentally, the position of the company, the leading maker of tractors, is strong and the underlying demand to equip construction industries and from municipal sources is expected to exert a strong supporting influence. Nevertheless, lower earnings seem in sight for this year. In August last year, the former 75-cent quarterly dividend was reduced to the present rate of 50 cents. At the same time, a 4% stock dividend was declared. The stock may be retained for long-term investment purposes but the present low yield lacks appeal for prospective investors.

CHESAPEAKE & OHIO RAILWAY CO. Operating revenues for 1953 were $344 million compared with $355 million in 1952. Nevertheless, owing to improved economies through new equipment, and through increased amortization tax benefits, earnings rose from $5.66 a share in 1952 to $6.04 a share in 1953. Supplementing the basic coal freight of the road has been the increasing industrialization of the region through which it operates, offering a considerably improved diversification of traffic sources. Like most other roads, C&O this year will probably experience a decline in earnings. Profit margins can swing rather widely for this road and it is to be noticed that in the last comparable period of recession, only $1.36 a share was earned. In the following year, the dividend was cut to $1.50 a share. The situation is now somewhat different as the company has built up ample reserves which should aid it in maintaining the present 75 cent quarterly rate even with a decline in earnings. The stock may be retained for income by present holders.

COLUMBIA GAS SYSTEM. Due to prolonged delays in rate increases requested by the company, earnings last year substantially reflected higher costs and dropped to 73 cents a share against 83 cents a share the previous year. However, new rate increases are now in effect and it is estimated will materially boost the company's earnings. These increases have come in time to offer better support to existing dividend rates which last year were above actual earnings. The current rate is 80 cents a share. The company has been expanding its natural gas operations rapidly and expenditures for new facilities this year will approximate $110 million, about double that of 1953. The stock has been held back by past uncertainties over rates but recent developments would seem to indicate that future rate applications will meet more favorable treatment than in the past. In that case, earnings could increase substantially. At the present price, the yield is an attractive 5.7% and the stock should be held for long-range appreciation. Since the end of 1952, the stock has been in the extremely narrow range of high—15 and low 12½.

COMMERCIAL SOLVENTS CORP. Sales for 1953 held around $51 million, about $1 million higher than in 1952. Earnings were $1.01 a share compared with 52 cents a share the previous year. No response to the earnings increase was shown by the stock which is now quoted around 16, compared with a 1953 high of 22¼. The company has had various problems to contend with in the past few years, mostly arising from price declines in certain products, general adjustments in inventory, and changes in the percentage of production allotted to some products. Elimination of production of alcohol will tend to stabilize operations and the completion of the $25 million expansion program is expected to place the company in a position to reap satisfactory returns. It is anticipated that earnings this year will improve. On that basis, offering about 6% on the $1 dividend at the current price, the stock would appear attractive as a long-term speculative holding.

ELECTRIC AUTO-LITE CO. Sales in 1953 were $285 million, compared with $271 million in 1952. Earnings amounted to $6.73 a share on the 1,569,000 shares outstanding compared with $6.55 a share on the 1,494,000 shares outstanding in 1952. Government business declined moderately, or from $38.9 million to $36.2 million. Most of last year's business was presumably done in the first nine months and the decline in Chrysler operations, on which Electric Auto-Lite is largely dependent for original equipment business, probably has had an effect on ensuing operations. Nevertheless, the current seasonal pick-up should help to support operations at a fairly satisfactory rate. The stock itself—probably sympathetically influenced by Chrysler — has been selling in the low 40s compared with a high of 57 in 1953. Dividends of $3 are being (*Please turn to page* 124)

10 Good Quality Laggards

	Closing Price 9/30/53	Price Range 1953 to Date	Earned Per Share 1953	Current Indicated Div.	Recent Price	Indicated Yield
Allis-Chalmers	42¾	59½-41⅛	$ 6.58	$ 4.00	47	8.5%
Caterpillar Tractor	46⅜	65¾-44¾	4.84	2.00	46½	4.3
Chesapeake & Ohio Ry.	33¼	41⅝-32¾	6.05	3.00	34	8.8
Columbia Gas System	13⅛	15 -12½	.85	.80	14	5.7
Commercial Solvents	17⅛	22¼-16	1.01	1.00	16½	6.0
Electric Auto-Lite	40½	57 -39½	6.73	3.00	43	6.9
Montgomery Ward & Co.	56	65½-53⅝	6.12	3.50	59	5.9
Parke, Davis & Co.	31¾	44¾-30½	1.91	1.40	35	4.0
Standard Brands	25¾	31½-25	2.90	2.00	31	6.4
United Fruit	48⅞	58⅛-44	5.08	3.00	49	6.1

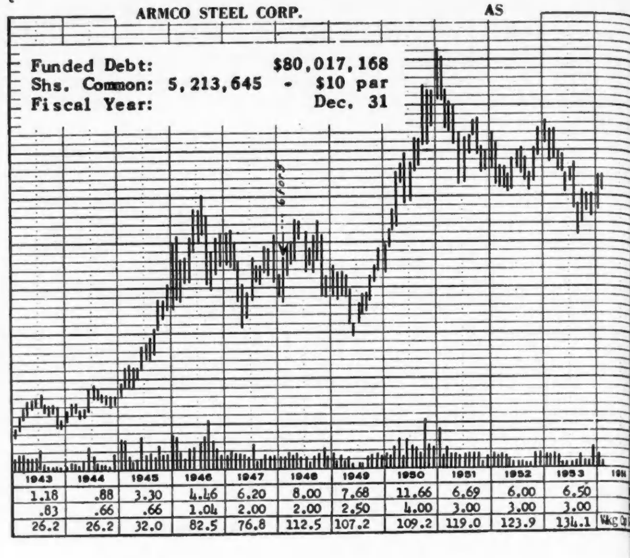
5 Undervalued Stocks Approaching Investment Status

By OUR STAFF

The difference between "growth" stocks that have already received general recognition and those that are on the way but have not yet reached that status is that in the first group market prices may have already more or less discounted the process whereas in the second group substantial opportunities for eventual market appreciation are still available. This is particularly true at the present time which witnesses a market level for prime growth stocks so high as to be attractive mainly to institutional buyers and other large investors. On the other hand, issues with emerging growth potentialities are still available at prices and yields which should be considered satisfactory for the rank and file of investors. The comparison is highlighted by the fact that yields on prime growth stocks are now not much above 4-4½% whereas yields on the potential group average 5½-6½%. To many investors this disparity in yield is an important consideration.

Growth stocks of the future have one feature, at least, in common; that is the firm establishment of an underlying forward trend in any combination of the following: new products in development and being readied for new markets; location of plants in growing regions; exploitation of new natural resources, and steady increase of operating efficiency. At least several of the features mentioned are represented in each of the five companies which have been selected. Inasmuch as these are fundamental elements in the companies' position and prospects, it may be readily assumed that the same conditions which resulted in their marked growth in recent years will continue in the future.

The combined yield on the five stocks, which are described in the following pages, is 6.1% which is an income approximately 33% more than obtainable on the average on prime growth stocks. Yet the issues selected should eventually attain close to the same investment status as those which have a higher rating.



1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953
1.18	.88	3.30	4.46	6.20	8.00	7.68	11.66	6.69	6.00	6.50
.83	.66	.66	1.04	2.00	2.00	2.50	4.00	3.00	3.00	3.00
26.2	26.2	32.0	82.5	76.8	112.5	107.2	109.2	119.0	123.9	134.1

ARMCO STEEL CORPORATION

BUSINESS: The company is an integrated steel producer. While output is diversified to include bars, wire, wire rods, structural shapes and other products, Armco is one of the major producers of steel sheets and special purpose steels for which it has gained a world-wide reputation. It is also a leading manufacturer of stainless steel in plates, sheets and other forms.

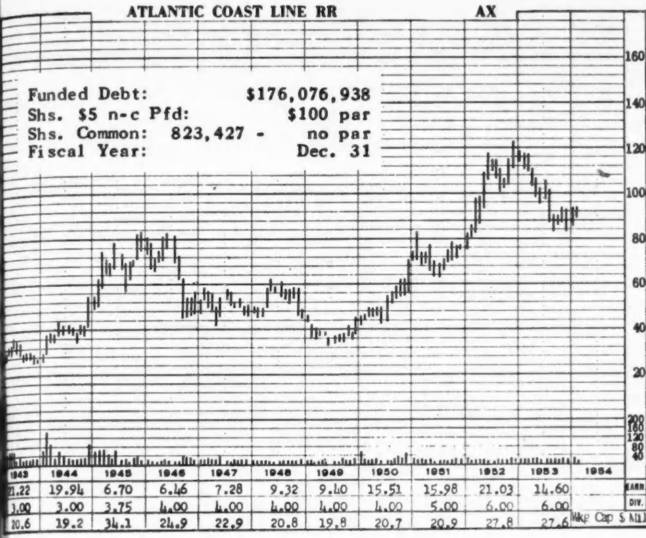
OUTLOOK: During the past eight years, Armco has conducted an intensive program of modernization, improvement and expansion of its plants and equipment. Toward these ends it has spent, in that time, more than $244 million, the greater portion of this sum coming from internal funds. While long term debt increased by only $61 million to the end of 1953 and outstanding common stock increased by $20 million, the company wiped out $44.9 million in preferred stock and raised net value of property, plant and equipment from $87.5 million to $231.2 million as of Dec. 31, last. Highlighting Armco's 1953 accomplishments was the opening of a new $40 million Middletown plant blast furnace with a capacity of 1,400 tons of pig iron daily, and putting into operation at its Ashland, Ky., plant one of the most modern continuous hot strip mills in the world. This giant new mill, stretching almost a half mile under one roof permits more economical operation and provides greater diversification in output of sheet and strip products. The increasing strength of Armco's competitive position is reflected in growth in production and sales, those for 1953 breaking all records. Net per share for the year equalled $6.50, as compared with $6.01 a share in 1952. This gain was made despite the fact that Federal income taxes, including $1.40 a share EPT, were about $7 million greater last year, and depreciation charges, much of which at an accelerated rate, were stepped-up substantially. Elimination of EPT should provide a cushioning for 1954 earnings. We view the stock as one of the more attractive in the steel group for yield and long-range potentials.

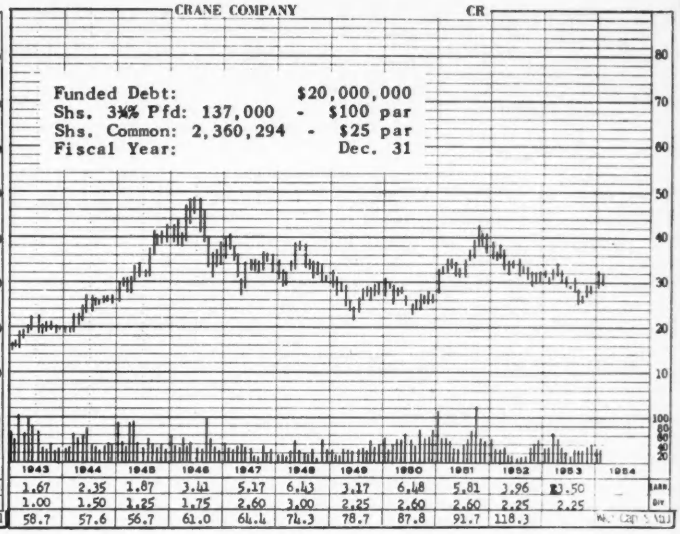
DIVIDENDS: The secure 75 cents a share quarterly dividend has been maintained since 1951.

MARKET ACTION: Recent price of 39¼, compares with a 1953-54 price range of high—43⅜, Low—30⅝. At current price the yield is 7.6%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 32,241	$ 48,150	+$ 15,909
Receivables, Net	14,209	39,517	+ 25,308
Inventories	44,073	114,107	+ 70,034
TOTAL CURRENT ASSETS	90,523	201,774	+ 111,251
Net Property	85,995	231,287	+ 145,292
Investments	12,136	26,187	+ 14,051
Other Assets	1,127	5,426	+ 4,299
TOTAL ASSETS	$189,781	$464,674	+$274,893
LIABILITIES			
Current Debt Mat.	$ 2,250	$ 6,565	+$ 4,315
Notes & Accts. Payable	10,810	22,585	+ 11,775
Accruals	5,696	8,940	+ 3,244
Tax Reserve	7,479	29,580	+ 22,101
TOTAL CURRENT LIABILITIES	26,235	67,670	+ 41,435
Other Liabilities	189	......	— 189
Reserves	8,702	8,073	— 629
Long Term Debt	14,750	75,281	+ 60,531
Preferred Stock	44,993	......	— 44,993
Common Stock	71,739	52,150	— 19,589
Surplus	23,173	261,500	+ 238,327
TOTAL LIABILITIES	$189,781	$464,674	+$274,893
WORKING CAPITAL	$ 64,288	$134,104	+$ 69,816
CURRENT RATIO	3.4	3.0	— .4





ATLANTIC COAST LINE RAILROAD CO.

AREA SERVED: With its subsidiaries and affiliates, including the Louisville & Nashville Railroad, in which it holds a 35% interest, Atlantic Coast Line System consists of approximately 12,500 miles of road serving practically every important population center in the southern states located south of the Ohio and east of the Mississippi rivers.

OUTLOOK: This road, together with its subsidiaries, comprise the largest rail network in the southeastern states, a territory that has been industrialized at an above-average rate. The growth has been especially rapid in the last eight years. During that period gross revenues of ACL have increased from $126.1 million for the year 1946, the first full year of a peacetime economy, to a record high of $169.9 million in 1952, and $164.6 million for the year ended Dec. 31, last. Over the same period, combined operating and non-operating net income, expanded from $6.64 a share for 1946, to, excluding $3.21 a share in non-recurring tax refund, $17.82 a share in 1952, with the 1953 figure being $14.60 a share. A heavy contributor to earnings are the road's other rail properties controlled through stock ownership or controlled under lease. Included in this group is the highly profitable Louisville & Nashville in which ACL holds 823,427 shares, equal to one share for each of its own shares outstanding, and the Clinchfield Railroad, also a substantial earner, which L. & N. and ACL operate jointly under lease. Since World War II Atlantic Coast Line has spent large sums on maintenance, new equipment and yard and line improvements. As a result of charging substantial amounts to maintenance, operating net has been lower than under normal circumstances. This improvement program is now largely completed which should permit carrying more of gross revenues to earnings. Net income for the current year, allowing for a moderate decline in revenues, should hold close to last year's mark, or around $14 a share, reflecting improved profit margin and indicating long-term potentials in the form of larger dividends and a possible stock-split.

DIVIDENDS: Regular dividends of $5 a share, plus an extra of $1 have been paid in 1952 and 1953. Payments at the same rate should be duplicated in 1954.

MARKET ACTION: Recent price of 96½, compares with a 1953-54 price range of High—116½, Low—80½. At current price the yield is 6.2%

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1943	1952	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 56,307	$ 21,830	—$ 34,477
Receivables, Net	22,515	16,336	— 6,179
Materials & Supplies	9,080	23,011	+ 13,931
TOTAL CURRENT ASSETS	87,902	61,177	— 26,725
Road & Equipment	300,060	464,588	+ 164,528
Acquisition Adj., etc.	cr. 2,400	cr. 9,084	+ 6,684
Accrued Deprec. & Amort.	cr. 42,128	cr. 86,330	+ 44,202
Invest. & Cap. Funds, etc.	76,197	65,920	— 5,277
Other Assets	15,003	4,317	— 10,686
TOTAL ASSETS	$434,634	$500,588	+$ 65,954
LIABILITIES			
TOTAL CURRENT LIABILITIES	$ 67,213	$ 33,372	—$ 33,841
Other Liabilities	089	2,187	+ 2,098
Unadjusted Credits	7,604	1,646	— 5,958
Reserves	1,126	931	— 195
Long Term Debt	140,079	176,077	+ 35,998
Preferred Stock	197	155	— 042
Common Stock	88,348	89,348	+ 1,000
R. & P. R.R. Class "A"	1,000		— 1,000
Surplus	128,978	196,872	+ 67,894
TOTAL LIABILITIES	$434,634	$500,588	+$ 65,954
WORKING CAPITAL	$ 20,689	$ 27,805	+$ 7,116
CURRENT RATIO	1.3	1.8	+ .5

CRANE COMPANY

BUSINESS: The company, the leading manufacturer of valves, fittings, and accessories extensively used in the chemical, petroleum gas, paper, and other industries, also produces a broad line of heating and plumbing fixtures, vitreous china and enameled steel bathroom and kitchen fixtures. Crane is also embarked on a large titanium project and expects to be producing in substantial quantity before the end of the current year.

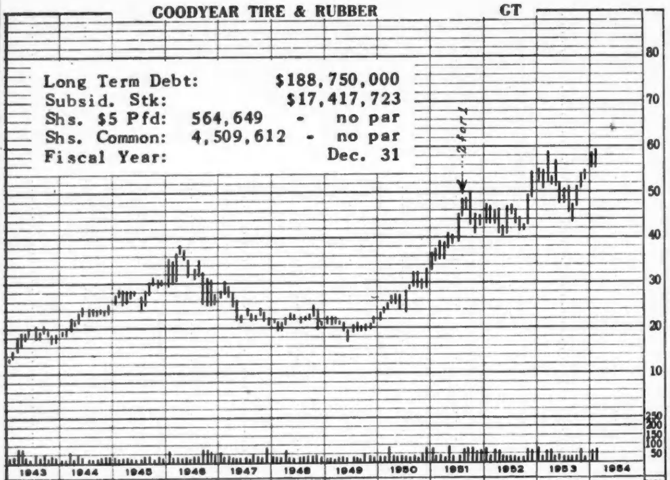
OUTLOOK: Several factors have contributed to the relatively steady expansion of Crane Co., whose net sales have climbed from $142.4 million in 1946 to 1951's $322.9 million, a record high that 1953 volume failed to match by only $7.3 million. The company has continually strengthened its competitive position in the plumbing fixture field through the introduction of new and refined products, among which, including those to be brought out in 1954, new lines of alloy steel valves, oil field valves, water works valves, plastic tubing and fittings, a new highly efficient automatically fired hot water boiler, and a new fuel booster pump of significant importance, providing the solution to the problem of "vapor-lock" in aircraft fuel systems at high altitudes and at high rates of climb. The latter is a product of Hydro-Aire, a wholly-owned subsidiary which has also introduced new valves and air turbines for aircraft. Although net earnings last year, due in part to higher expenses, fell to $8.7 million, or $3.47 a share for the common stock, as compared with $9.8 million, equal to $3.96 a share for 1952, the outlook for the current year is for a moderate improvement while the long-term outlook justifies weighing the issue for its ultimate possibilities in the way of higher earnings and improved investment quality. Supporting this view are the potentialities inherent in the company's important titanium project now under way and which is expected to be producing in substantial volume by the end of 1954, to eventually reach a capacity of 6,000 tons of basic titanium annually.

DIVIDENDS: Since the 2-for-one split of the issue in 1951, annual payments and on the basis of earnings over the last few years could be moderately increased.

MARKET ACTION: Recent price of 61½, compares with a 1953-54 price range of High—34⅛, Low—25⅛. At current price the yield is 6.7%.

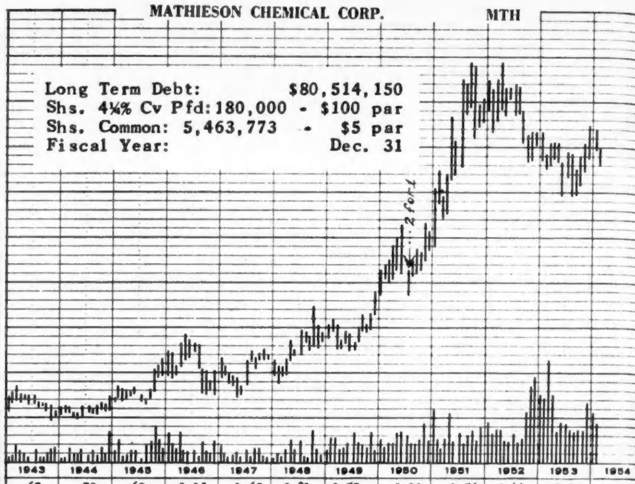
COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 26,948	$ 23,962	—$ 2,986
Receivables, Net	14,370	38,808	+ 24,438
Inventories	25,574	74,483	+ 48,909
TOTAL CURRENT ASSETS	66,892	137,253	+ 70,361
Net Property	36,951	59,996	+ 23,045
Investments	12,365	2,974	— 9,391
Other Assets	2,695	962	— 1,733
TOTAL ASSETS	$118,803	$201,185	+$ 82,382
LIABILITIES			
Accounts Payable	$ 6,238	$ 14,628	+$ 8,390
Accruals	919		— 919
Accrued Taxes	2,086	3,878	+ 1,792
TOTAL CURRENT LIABILITIES	9,243	18,505	+ 9,262
Other Liabilities	780	2,058	+ 1,278
Reserves	13,108	711	— 12,397
Long Term Debt	2,000	21,003	+ 19,003
Preferred Stock	19,280	13,746	— 5,534
Common Stock	58,716	59,007	+ 291
Surplus	15,676	86,155	+ 70,479
TOTAL LIABILITIES	$118,803	$201,185	+$ 82,382
WORKING CAPITAL	$ 57,649	$118,748	+$ 61,099
CURRENT RATIO	7.2	7.4	+ .2



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	2.84	2.95	2.94	8.04	5.47	5.13	4.20	7.81	8.18	8.30	10.28	
DIV.	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.50	3.00	*3.00	*3.00	
Wkg Cap $ Mil	140.4	122.6	152.4	174.5	243.0	256.1	262.0	289.1	399.4	397.2	401.4	

*Plus Stk Div



	1943	1944	1945	1946	1947	1948	1949	1950	1951	1952	1953	1954
EARN.	.67	.70	.60	1.13	1.67	2.81	2.57	3.32	3.56	3.44	3.30	
DIV.	.50	.50	.50	.62½	.81¼	.87½	1.06¼	1.50	1.70	2.00	2.00	
Wkg Cap $ Mil	7.2	9.1	10.3	7.7	.4	5.2	16.5	17.4	30.1	77.1	83.1	

THE GOODYEAR TIRE & RUBBER COMPANY

BUSINESS: One of the foremost manufacturers of automobile tires and a wide variety of other goods having world-wide distribution for use in industry, agriculture, institutional buildings, homes and for personal use. Goodyear has also developed importantly in the chemical field; manufactures plastic and other products used in the aircraft industry, and has been commissioned by the U. S. Government to operate the monumental Portsmouth nuclear fission plant now under construction.

OUTLOOK: Last year, 1953, Goodyear did a net business amounting to $1,210 million. This was approximately $62 million more than 1952 sales of $1,138 million, and short by $22 million of doubling sales of only eight years ago. More to the point from the investor's view, net income of $49.3 million in 1953, despite high taxes that took $33.07 a share out of earnings, and increased wages and other operating costs, represented 4.1 cents per dollar of sales, as compared with 3.4 cents in 1952, and 3.3 cents in 1951. Net earnings last year, reaching an all time peak at $10.28 a share, compared with $8 a share for the previous year, and $7.47 a share in the year before that. During 1953, Goodyear, established a number of records, among which were new highs in production, sales and net earnings. While 1954 may fail to exceed last year's levels, it is reasonably certain that results will be highly satisfactory, volume holding up, reflecting increasing tire replacement demands and continued good sales of the aircraft and chemical divisions, the latter having developed in the last five years as a principal raw material supplier to such major industries as paint, rubber, textile, plastics and paper. Over the long-range, Goodyear should continue to expand. Anticipating this growth, the company, in 1953 alone, spent more than $50 million in new tools and equipment to increase production and improve its broad lines of products. On the basis of this outlook, the common stock merits ranking as a growth issue.

DIVIDENDS: Since the 2-for-one split of the issue in 1951, annual payments have been increased from $2 to current rate of $3 a share, plus 5% in stock in 1952, and 3% last year.

MARKET ACTION: Recent price of 61½, compares with a 1953-54 price range of High—63½, Low—43¾. At current price the yield, exclusive of stock dividend, is 4.8%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 16,976	$ 68,043	+$ 51,067
Receivables, Net	71,949	149,915	+ 77,966
Inventories	90,884	245,983	+ 155,099
TOTAL CURRENT ASSETS	179,809	463,941	+ 284,132
Net Property	86,191	191,640	+ 105,449
Investments	1,201	4,626	+ 3,425
Other Assets	6,714	2,528	— 4,186
Cash, Govt. Contr. (contra)	38,045	3,653	— 34,392
TOTAL ASSETS	$311,960	$666,388	+$354,428
LIABILITIES			
Debt Payable	$ 15,000	$ 1,471	—$ 13,529
Accounts Pay., Accrs., etc.	28,500	44,013	+ 15,513
Tax Reserve	13,646	16,992	+ 3,346
TOTAL CURRENT LIABILITIES	57,146	62,476	+ 5,330
Adv. Govt. Contr. (contra)	38,044	3,653	— 34,391
Reserves	19,965	71,404	+ 51,439
Minority Interest	9,016	17,930	+ 8,914
Long Term Debt	36,090	195,437	+ 159,347
Preferred Stock	61,085	56,465	— 4,620
Common Stock	10,997	28,509	+ 17,512
Surplus	79,617	230,514	+ 150,897
TOTAL LIABILITIES	$311,960	$666,388	+$354,428
WORKING CAPITAL	$122,663	$401,465	+$278,802
CURRENT RATIO	3.1	7.4	+ 4.3

MATHIESON CHEMICAL CORPORATION

BUSINESS: Through its several divisions, Mathieson produces diversified organic and inorganic basic chemicals for use in industry and agriculture. Its Squibb Division is one of the largest manufacturers of pharmaceutical products, medicinals, biologicals, and cosmetics and toiletries.

OUTLOOK: Mathieson Chemical, an old line producer of chlorines, soda ash, and caustic soda, has made rapid strides within the last seven years in extending its activities to encompass virtually every segment of the chemical industry. Among other outstanding achievements more recently have been, in addition to the acquisition of E. R. Squibb & Sons, one of the foremost names in the pharmaceutical field, Mathieson has opened a number of important new plants and additions. Among these are a new hydrocarbon chemicals plant, a new electrolytic chlorine-caustic soda plant, and a rehabilitated ammonia plant. These and other developments, including new products as a result of intensified research, have substantially contributed to steady growth in sales and total income. Net sales for 1953, of $243.5 million exceeded the 1952 showing of $215.6 million, by approximately $28 million or 13%, on the basis of a pro-forma calculation for 1952, inasmuch as Squibb was not merged until the final quarter of that year. All divisions contributed in 1953 to the greater volume of sales, expanding net income to $18.7 million, equal to $3.30 a share for the outstanding common stock. On the same pro-forma basis, these figures compare with previous year's net of $14.5 million, or $2.53 a share. Further gains are looked for during the current year. New organic chemicals and drugs emerging from Mathieson's research laboratories are expected to add materially to 1954 sales with earnings being aided by the emphasis the company is putting upon operating economies and consolidation of recent gains. The long-range growth potentials of the company make its common shares particularly attractive at current price levels.

DIVIDENDS: The common stock has received dividends without interruption for the last 28 years. Currently, it is on a $2 a share annual basis.

MARKET ACTION: Recent price of 40¼, compares with a 1953-54 price range of High—42½, Low—34½. At current price the yield is 4.0%.

COMPARATIVE BALANCE SHEET ITEMS

	December 31 1944	1953	Change
		(000 omitted)	
ASSETS			
Cash & Marketable Securities	$ 7,236	$ 18,371	+$ 11,135
Receivables, Net	2,059	38,143	+ 36,084
Inventories	2,325	53,392	+ 51,067
TOTAL CURRENT ASSETS	11,620	109,906	+ 98,286
Net Property	14,539	212,314	+ 197,775
Investments	397	9,927	+ 9,530
Other Assets	1,183	7,114	+ 5,931
TOTAL ASSETS	$ 27,739	$339,261	+$311,522
LIABILITIES			
Curr. Debt Mat.		$ 4,347	+$ 4,347
Accounts Payable	$ 1,130	11,607	+ 10,477
Accruals		8,185	+ 8,185
Tax Reserve	1,302	2,636	+ 1,334
TOTAL CURRENT LIABILITIES	2,432	26,775	+ 24,343
Other Liabilities	344		— 344
Reserves	817	85,907	+ 85,090
Long Term Debt		77,182	+ 77,182
Preferred Stock	2,378	18,000	+ 15,622
Common Stock	15,464	27,324	+ 11,860
Surplus	6,304	104,073	+ 97,769
TOTAL LIABILITIES	$ 27,739	$339,261	+$311,522
WORKING CAPITAL	$ 9,188	$ 83,131	+$ 73,943
CURRENT RATIO	4.8	4.2	— .6

F.W. WOOLWORTH

VS.

W.T. GRANT

By GEORGE L. MERTON

At a time, especially during the years since 1946, when great numbers of retail stores, some individually owned and other units of large retailing organizations, are venturing into variety merchandising, some of the older and well established of the variety merchandisers are broadening their activities by expanding present lines of merchandise and adding new ones.

Progress in this direction has already reached the point for some where the line of demarcation between the once-upon-a-time conception of the variety store and the modern department store is extremely faint. W. T. Grant Co., for instance, generally included in any discussion of the variety store group, has traveled far in turning its stores into retail outlets for general merchandise. Back in 1906, the first store W. T. Grant opened had a sign over its door proclaiming "nothing over 25 cents." Today, the company, operating 502 stores, is among the nation's biggest distributors of infants' wear, children's wear, cotton yard goods, women's undergarments, brassieres and girdles, as well as a wide range of house furnishings.

Gone too, is the legend "5 & 10 cents" from the F. W. Woolworth Co. store signs. Like W. T. Grant, F. W. Woolworth, while still stocking practically all the familiar items of the old "five and ten," carries in most of its outlets higher priced costume jewelry, children's wearing apparel, ladies handbags, mechanics' tools and housewares, selling in the higher price brackets, and many other lines to be found in the modern department store.

Broadening Base of Profit Margin

These are changes brought about by good merchandising policies to cater to customer preference and the need to broaden operations of each retail store by stocking higher priced goods on which there is a wider profit margin than that which could be realized in the five, ten and even one dollar item in a period of rising costs and steadily increasing wages.

Woolworth last year had all-time peak sales of $713.8 million. This, however, was only 0.17% greater than what it showed for the previous year. Net income for 1953, including "other income" of $8.4 million of which $7.1 million was received in cash dividends from its 52.7% owned British subsidiary, totaled $29.7 million, the equivalent of $3.07 a share. Such a showing is in sharp contrast with that of 1947, for instance, when on sales of $593.3 million, net per share amounted to $4.32. As the company states: "the decline in earnings can be attributed to the ever-mounting increase in expenses and the insufficient increase in sales, to offset it."

The W. T. Grant Co., of course, is not immune to these unfavorable factors. The difference, however, is that Grant's 1953 sales, also at an all-time peak of $299.7 million were 5.8% or $16.5 million over 1952. Whereas Woolworth with 1,981 stores in operation at the end of last year did a volume averaging $360,000 per store, Grant 502 stores had an average per store volume of $597,000. Including four cents a share for refund of 1942 profit taxes, Grant's net earnings last year amounted to $8,044,550, or $3.09 a share for the common stock, as compared with $7,570,326, or $2.91 a share for 1952.

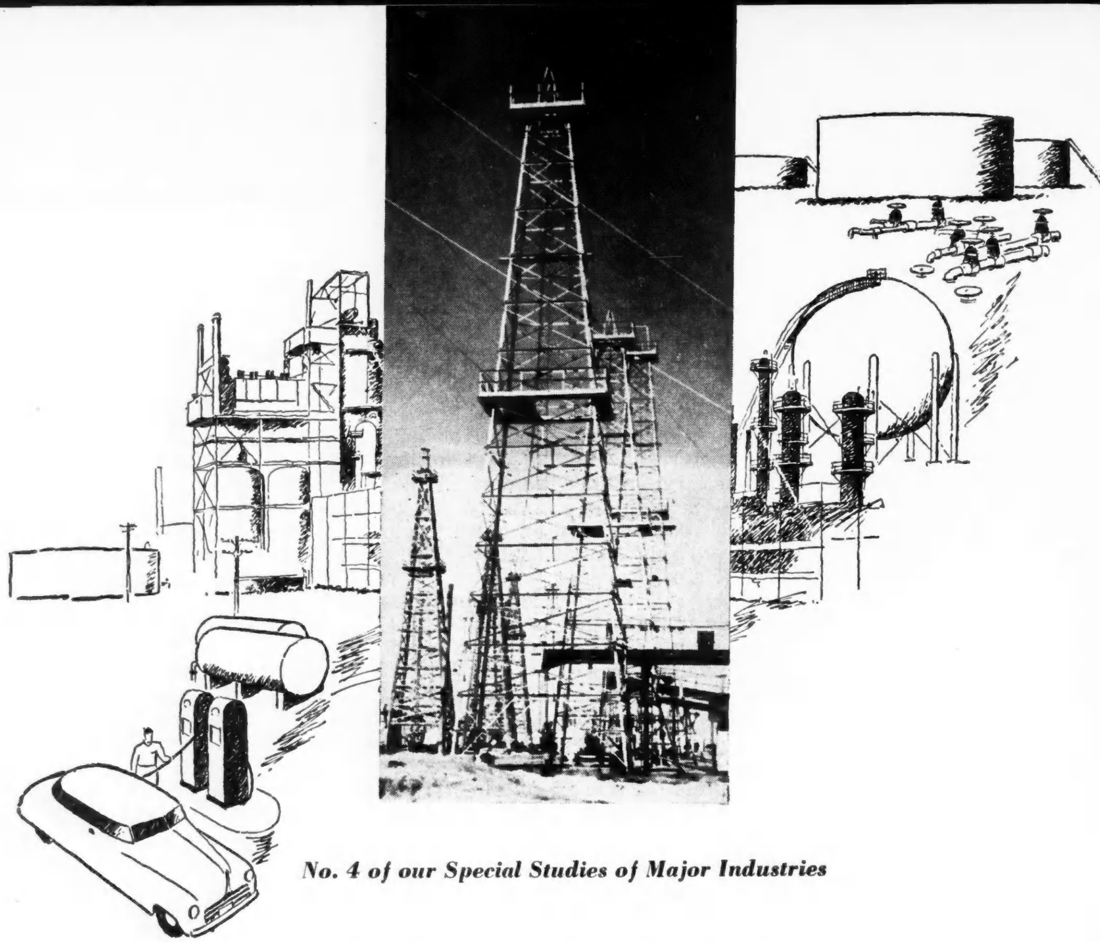
Expansion of Self Service

In an effort to cut overhead, both Grant and Woolworth have made great strides, particularly in the last year, in further developing self-services departments in their stores. Woolworth reports that customer reaction to this innovation has been favorable. It now has 91 self-service stores in operation and intends to expand this number during the current year. Grant, because of its more diversified lines of merchandise carried by most of its stores, cannot boast of an equal number of self-service units, but has "self-serviced" depart- (*Please turn to page* 138)

Comparison of Two Variety Store Chains

	F. W. WOOLWORTH COMPANY					W. T. GRANT CO.			
	Number of Stores*	Net Sales* (Millions)	Earnings Per Share	Div Per Share		Number of Stores	Net Sales (Millions)	Earnings Per Share	Div Per Share
1944	2004	$459.8	$ 2.35	$ 1.60	1944	490	$175.4	$ 1.44	$ .70
1945	1971	477.1	2.43	1.60	1945	488	180.3	1.52	.75
1946	1958	552.3	4.12	2.10	1946	484	212.3	3.63	.90
1947	1945	593.3	4.32	2.50	1947	483	228.6	2.63	2.25
1948	1944	623.9	4.48	2.50	1948	482	233.9	3.67	1.50
1949	1938	615.6	3.83	2.50	1949	480	233.1	3.73	1.00
1950	1936	632.1	3.83	2.50	1950	477	250.5	3.16	2.00
1951	1943	684.1	3.22	2.50	1951	482	268.3	2.90	1.75
1952	1960	712.6	3.25	2.50	1952	491	283.2	2.91	1.50
1953	1981	713.8	3.07	2.50	1953	502	299.7	3.09	1.50

*—Includes U.S., Canada and Cuba.



No. 4 of our Special Studies of Major Industries

Appraisal of 1954 Outlook for PETROLEUM INDUSTRY

By WALTER ZWIMPFER

Current prospects suggest another favorable year for the oil industry, both production and earningswise. Not only is total daily demand expected to surpass last year's record figure of 8,970,000 barrels daily by 4%, even allowing for a moderate decline in industrial production, but present indications suggest a moderate improvement in overall industry earnings; this notwithstanding the recent price weakness for gasoline, which is apt to curtail first quarter earnings for some refiners.

The heavy inventory position of the oil industry has been given wide publicity during recent months. True, an oversupply of any commodity renders its price structure vulnerable. But what are the intrinsic facts about petroleum inventories? Inventories of all refined products, except gasoline, have declined during recent months and are now at levels which cannot be regarded as excessive. Aided by cold weather, stocks of home heating oils, the second largest product item, which loomed large last fall, have declined sharply since the turn of the year and are well balance with the historical pattern; so are residu fuel oil stocks.

Gasoline supply, at approximately 180 million ba rels, against 160 million barrels a year earlier, some 13% above a year ago when inventories we considered ample. While to the uninformed this f ure may look alarming it must be recognized th only about 55%, or roughly 100 million barrels these stocks are available for ready marketing to t motoring public since the balance is tied up in t pipeline systems which at all times must rema filled. It has been estimated by reliable indust sources that available inventory represents only day's supply at the estimated motor fuel consumi rate for the six months' peak season demand, begi ning in April. This would be equal to the same nu ber of day's supply as the average for the last eig postwar years. Moreover, fortunately the beginni of the big gasoline (*Please turn to page* 10

Comparative Earnings and Dividend Records of Leading Oil Companies

	Earnings Per Share 1951	Earnings Per Share 1952	Earnings Per Share 1953	Dividends Per Share 1951	Dividends Per Share 1952	Dividends Per Share 1953	Recent Price	Div. Yield*	Price Range 1953 to Date
Amerada Petroleum	$ 5.17	$ 5.04	$ 5.85	$ 3.00	$ 3.00	$ 3.00	186	1.6%	195½-148½
Atlantic Refining	4.88	4.37	5.41	2.00[1]	2.00	2.00	32	6.2	33¾- 25⅝
Cities Service	14.71	12.67	13.05	5.00	5.00	5.00	89	5.6	95⅝- 70⅞
Continental Oil	4.25	3.91	4.19	2.50	2.50	2.60	60	4.3	62¾- 48⅜
Creole Petroleum	7.82	8.54	8.85	5.75	7.00	7.00	85	8.2	88¾- 67½
Gulf Oil	6.17	6.01	7.13	2.00	2.00[1]	2.00[1]	52	3.8	53⅞- 41¼
Houston Oil	5.35	4.81	5.05	2.50	2.25[1]	2.25	77	2.9	79 - 54
Humble Oil	4.72	4.05	4.58	2.25	2.28	2.28	66	3.4	74¾- 54
Imperial Oil, Ltd.	1.20	1.38	1.61	.65	.75	.80	33	2.4	37 - 27½
Lion Oil	4.37	3.30	3.46	2.00	2.00	2.00	38	5.2	39 - 28⅝
Mid-Continent Petroleum	9.18	8.39	7.75	3.75	4.00	4.00	70	5.7	72⅜- 55⅛
Ohio Oil	6.35	6.00	6.63	3.00	3.00	3.25	64	5.0	64½- 49⅞
Phillips Petroleum	5.11	5.17	5.25	2.30	2.40	2.60	61	4.2	69½- 48¾
Plymouth Oil	4.24	3.97	3.32	1.30[1]	1.60[1]	1.60[1]	27	5.9	34⅞- 23½
Pure Oil	7.88	6.17	6.12	2.50	2.50	2.50	57	4.3	64¾- 42¼
Richfield Oil	7.05	6.41	7.13	3.50	3.50	3.50	55	6.3	65 - 43¾
Seaboard Oil	5.26	5.34	5.30[4]	2.75	2.00	2.50	105	2.3	110 - 72
Shell Oil	7.20	6.75	8.40	3.00	3.00	3.00[1]	90	3.3	94 - 62⅝
Sinclair Oil	6.78	7.08	5.53	2.50	2.60	2.60	39	6.6	43⅝- 30½
Skelly Oil	5.41	4.88	5.44	1.62½	1.62½ [1]	1.62½	46	3.5	49¾- 33¼
Socony-Vacuum Oil	5.08	4.89	5.29	1.80	2.00	2.25	40	5.6	40⅜- 30
Standard Oil of California	6.05	6.07	6.61	2.60	3.00	3.00	60	5.0	61¾- 49¼
Standard Oil of Indiana	9.71	7.81	8.11	2.25[3]	2.50[2]	2.50[2]	77	3.2	81½- 65⅝
Standard Oil of N. J.	8.72	8.58	9.13	4.12½	4.25	4.50	80	5.6	81¾- 67
Standard Oil of Ohio	5.56	4.20	5.08	2.20	2.40	2.40	37	6.4	38¾- 31
Sun Oil	6.85	6.01	5.85	1.00[1]	1.00[1]	1.00[1]	73	1.3	82½- 68½
Sunray Oil	2.23	2.30	2.54	1.15	1.50	1.20	19	6.3	21¾- 15
Texas Company	6.50	6.59	7.01	3.05	3.00	3.40	67	5.1	69¾- 49⅝
Texas Gulf Producing	2.59	2.62	3.47	1.40	1.40	1.55[1]	47	3.3	49⅞- 30⅞
Texas Pacific Coal & Oil	3.85	3.86	4.29	1.65	1.65	1.65	38	4.3	42⅞- 30½
Tide Water Associated Oil	2.90	2.43	2.60[4]	1.07½	1.15	1.15	22	5.2	27¼- 19⅝
Union Oil	4.55	4.61	6.41	2.00	2.00	2.00[1]	44	4.5	44⅜- 33¾

***—Based on 1953 dividend.**
1—Plus stock.
2—Plus 1/50th share of S.O.N.J.
3—Plus 1/40th share of S.O.N.J.
4—Estimated.

Amerada: Strictly a crude producer; outstanding in proving new oil reserves. Should be held for long term growth potential. (H)

Atlantic Refining: A medium sized integrated company; good progress in strengthening crude position. Stock has interesting long-term possibilities. (H)

Cities Service: Refiner on balance with crude production only about 38% of refinery runs. Large natural gas reserves. Long term potential. (H)

Continental Oil: A medium sized but fully integrated oil, engaged in all phases. Stock has above average appeal. (H)

Creole Petroleum: Controlled by Standard Oil of N. J., is largest producer of crude oil in Venezuela. Has appeal for income purposes. (H)

Gulf Oil: Strongly integrated and one of largest independents. Substantial interests in Venezuela and Kuwait. Stock of good grade quality. (H)

Houston Oil: A relatively small crude oil producer and participates also in natural gas and timber. (N)

Humble Oil: 72% controlled by S.O.N.J., essentially in production and transportation of crude. Crude and natural gas reserves among the largest. Stock ranks among the most attractive oils. (H)

Imperial Oil: Largest Canadian oil and operations comprise all phases. Sharply stepped up exploration and producing. (H)

Lion Oil: Small but fully integrated oil with heavy emphasis on agricultural chemicals. Fertilizer developments bear close watching. (N)

Mid-Continent Petroleum: Strong working capital; could be used in strengthening production end; some attraction for longer-term, although earnings in temporary slump. (N)

Ohio Oil: Substantial crude producer with strong crude oil reserve. Increasing natural gas sales suggest improved earnings with liberalization of dividend. (H)

Phillips Petroleum: One of the faster growing units. Derives greater portion of income from natural gas and allied products. Higher earnings looked for. (H)

Plymouth Oil: Has made progress in production. A slight improvement in earnings is possible but principal attraction is strictly long-term. (N)

Pure Oil: Substantial natural gas reserves, and increased sales in this division portend well for broadening of earnings. (H)

Richfield Oil: Operates entirely on the West Coast and recent success in exploration has materially improved its crude oil reserves. (H)

Seaboard Oil of Delaware: Has good record of growth and stock represents an interesting speculation on future exploration and development. (H)

Shell Oil: One of leading independent oils, two-thirds owned by Royal-Dutch. Operations confined to North American continent and aside from well integrated oil operations is leader in petrochemicals. (H)

Sinclair Oil: Efforts at improving production ratio, recently only slightly over 30% of requirements. Success would improve long-term potential. (H)

Skelly Oil's growth record, result of aggressive exploration policy, quite impressive but consistently conservative dividend policy suggests only a small increase in pay-out. (H)

Socony-Vacuum: Refiner on balance but more active exploration program resulted in substantial betterment in production. Small increase in dividend good possibility. (H)

Standard Oil California: Has good growth record and earnings should be well maintained. (H)

Standard Oil Indiana: Strictly domestic refiner and marketer in Middle West; has been improving producing end and has large natural gas reserves. Earnings should continue at high rate. (H)

Standard Oil N. J.: Leading domestic oil company with large world-wide interests. Prospects for continued earnings improvement. (H)

Standard Oil Ohio: Primarily refiner and marketer and own crude production is less than 30% of requirements. Earnings normally varaible. (N)

Sun Oil Co.: Fully integrated oil. Further earnings improvement anticipated this year, but dividend will continue conservative. (H)

Sunray: Small unit primarily engaged in crude, natural gas and petroleum liquids. Slight earnings improvement indicated; current dividend should be continued. (N)

Texas Co.: Among largest integrated oil companies, with sizable interests abroad. Continued high earnings and larger year end extra indicated. (H)

Texas Gulf Producing: Recent exploration successes have strengthened reserves immeasurably and prospects are for higher earnings in 1954. (H)

Texas Pacific Coal & Oil: Large acreage holdings in major oil producing areas render future prospects promising. (H)

Tide Water Assoc. Oil's active development program has strengthened crude reserves and should contribute to further earnings improvement. (H)

Union Oil of California: Second largest West Coast oil operator with strong crude oil position. Sharp earnings improvement last year, reflecting benefits from a large capital program. (H)

Rating: (H) — Hold. (N) — Neutral.

Comprehensive Statistics Comparin

Figures are in million dollars except where otherwise stated.	Atlantic Refining	Cities Service	Continental Oil	Creole Petroleum	Gulf Oil	Mid-Continent Petroleum
CAPITALIZATION:						
Long Term Debt (Stated Value)	$ 32.0	$461.4	$ 53.3	....	$178.5	....
Preferred Stocks (Stated Value)	$ 35.2	....	....	....	....	....
Number of Common Shares Outstanding (000)	8,962	3,887	9,786	25,865	24,541	1,857
TOTAL CAPITALIZATION	$156.8	$500.3	$102.0	$128.3	$792.9	$ 18.5
INCOME ACCOUNT: For Fiscal Year Ended	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
Net Sales	$606.9	$892.2	$476.8	$667.2	$1,640.8	$174.4
Depletion, Amortization, etc.	....	$ 27.8[2]	$ 1.8	....	....	$ 3.6
Depreciation, Retirements, etc.	$ 37.9[1]	$ 31.7	$ 17.6	$ 51.7[1]	$138.8[1]	$ 6.2
Intangibles, Devel. Costs, Losses on Leases, Drilling Costs, etc.	....	....	$ 33.4	$ 11.9	....	$ 3.7
Total Income Taxes	$ 10.6	$ 29.8	$ 14.9	$108.8	$103.7	$ 9.6
Interest Charges	$ 2.0	$ 14.9	$ 1.8	....	$ 4.9	....
Balance for Common	$ 48.4	$ 50.7	$ 40.8	$228.9	$175.0	$ 14.3
Operating Margin	9.6%	10.3%	11.4%	49.5%	16.5%	13.0%
Net Profit Margin	8.2%	5.6%	8.5%	34.3%	10.6%	8.2%
Percent Earned on Investe dCapital	12.1%	10.7%	13.9%	33.0%	14.3%	9.4%
Earned Per Common Share*	$ 5.41	$ 13.05	$ 4.20	$ 8.85	$ 7.13	$ 7.75
BALANCE SHEET: Fiscal Year Ended	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
Cash and Marketable Securities	$ 37.0	$183.8	$ 35.2	$ 5.2	$377.5	$ 42.6
Inventories, Net	$ 76.8	$118.7	$ 53.1	$ 62.1	$177.2	$ 30.5
Receivables, Net	$ 41.4	$ 66.8	$ 41.4	$292.3	$135.4	$ 14.8
Current Assets	$155.4	$367.3	$129.9	$359.8	$734.6	$ 88.0
Current Liabilities	$118.6	$101.0	$ 61.7	$168.1	$310.0	$ 24.5
Working Capital	$ 36.8	$266.8	$ 68.2	$191.7	$424.6	$ 63.5
Fixed Assets, Net	$390.7	$690.7	$246.6	$550.9	$890.5	$ 90.5
Total Assets	$570.8	$1,102.7	$409.4	$923.7	$1,765.7	$181.7
Cash Assets Per Share	$ 4.12	$ 47.28	$ 3.59	$ .20	$ 15.38	$ 22.94
Current Ratio (C. A. to C. L.)	1.3	3.6	2.1	2.1	2.3	3.6
Inventories as Percent of Sales	12.6%	13.3%	11.1%	9.3%	10.8%	17.4%
Inventories as % of Current Assets	48.9%	32.3%	40.8%	17.3%	24.1%	34.6%
Total Surplus	$184.7	$435.2	$244.8	$564.1	$602.8	$134.0

*—Data on dividend, current price of stock and yields in supplementary table on preceding page.

[1]—Includes deprec., depetion, amort., and retirements, etc.

consuming season is close at hand when stocks historically, begin to experience a sharp drop and prices, normally, begin to firm. But even should the large available supply of motor fuel mitigate an early strengthening in the price structure prevailing prices would assure good profits, particularly when allowance is made for the larger volume, likely to materialize this year.

Crude oil inventories pose no threat whatever; currently stocks are below a year ago, actually a plus factor as far as the price structure is concerned. Of greater importance in this division are imports. But while they are not restricted or prorated, as is crude production in most states, the principal importers are the five large international companies, the Standard Oil Companies of New Jersey and California, Texas Co., Gulf Oil and Socony-Vacuum. Being also important factors in the domestic field they have too large a stake in this country to take a chance at wrecking the price structure through excessive imports of cheap oil. Moreover, in the national interest for defense the government could not afford to permit excessive imports at the expense of domestic production, which must be maintained to guard against any and all eventualities. Thus, in weighing all factors there appears no threat, short of an all out depression, not now in the cards, to prevailing crude oil prices. Accordingly, continuation of current price structure appears assured, and indications are for a further moderate increase in earnings for crude produce in 1954.

The oil industry has had to contend with season influences, historically, and has become used to livi with them. Technological advances and improv refining methods have made for greater flexibilit and thus aided the problem of achieving a better ba ance in the supply and demand picture of the vario products. However, a complete solution has not be found as yet and it would seem that the investor w have to become accustomed to these seasonal unce tainties as has the industry.

Production Trends

Demand for petroleum products, and consequent crude oil, has been growing at a much faster ra than the relative increase in population. This h been due to the high rate of mechanization of o industries, the changing modes of transportatio the mechanization of farms and general lifting of t living standards with its accompanying increasi demand for petroleum products in all forms and la but not least larger demand from the military.

Over the past 25 years petroleum products dema has increased at an average annual rate of sligh more than 4.6%. The postwar period, until last ye experienced a much faster rate of growth, nam 6.5% annually. In 1953, when the gain was 4.4%,

the Position of Leading Oil Companies

Mid-continent Petroleum	Ohio Oil	Phillips Petroleum	Pure Oil	Shell Oil	Skelly Oil	Socony Vacuum Oil	Standard Oil of Indiana	Standard Oil of N. J.	Sun Oil	Texas Company	Union Oil
....	....	$261.5 [3]	$ 25.6	$143.2	$ 10.7	$190.7	$354.7	$444.0	$ 19.2	$219.5	$122.1
....	....	....	$ 44.2	....	....	....	....	....	$ 9.3	....	$ 23.4
57	6,563	14,613	4,067	13,740	5,746	35,512	15,386	60,571	7,648	27,475	5,809
18.5	$ 98.7	$556.3	$110.5	$349.3	$154.3	$723.4	$739.3	$1,352.5	$347.9	$909.4	$290.8
/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
74.4	$241.7	$762.3	$368.0	$1,269.5	$215.3	$1,606.5	$1,709.5	$4,137.7	$670.7	$1,558.8	$305.8
3.6	$ 16.9 [1]	$ 10.6	....	$ 13.1	$ 23.6 [1]	$ 70.1 [2]	$ 46.9 [2]	....	....	$ 23.2	$ 33.3 [1]
6.2	....	$ 56.1	$ 22.2 [1]	$ 61.5	....	$ 63.0	$ 66.4	$269.0 [1]	$ 35.2 [1]	$ 73.9	....
3.7	$ 7.2	$ 17.8	....	$ 79.1	$ 10.6	....	....	....	$ 36.9	$ 85.7	$ 14.2
9.6	$ 16.3	$ 22.1	$ 11.0	$ 64.0	$ 10.5	$ 57.8	$ 53.0	$329.0	$ 16.5	$ 52.4	$ 8.7
....	....	$ 8.1	$ .9	$ 3.8	$ .3	$ 5.2	$ 11.0	$ 12.5	$ .8	$ 6.7	$ 3.3
14.3	$ 43.5	$ 76.7	$ 24.8	$115.4	$ 31.2	$187.2	$124.8	$552.8	$ 44.7	$192.6	$ 37.2
13.0%	24.7%	13.6%	10.4%	13.4%	19.2%	15.5%	10.2%	20.3%	9.1%	16.3%	16.8%
8.2%	18.0%	10.0%	7.0%	9.1%	14.5%	11.6%	7.3%	13.3%	6.7%	12.3%	12.4%
9.4%	15.7%	11.7%	8.6%	17.1%	13.4%	11.5%	8.6%	16.2%	11.6%	13.9%	12.3%
7.75	$ 6.63	$ 5.25	$ 6.12	$ 8.40	$ 5.44	$ 5.35	$ 8.11	$ 9.13	$ 5.85	$ 7.01	$ 6.41
/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53	12/31/53
42.6	$ 44.4	$ 93.2	$ 35.5	$ 88.6	$ 27.4	$306.1	$222.0	$1,130.7	$ 26.5	$240.8	$ 46.0
30.5	$ 30.6	$101.2	$ 55.6	$159.6	$ 25.5	$274.9	$235.0	$529.9	$ 73.0	$253.2	$ 36.1
14.8	$ 26.4	$ 62.8	$ 30.4	$113.5	$ 17.6	$182.5	$141.0	$409.0	$ 40.7	$137.6	$ 50.2
88.0	$101.5	$257.2	$121.7	$361.8	$ 71.1	$763.6	$598.1	$2,069.7	$140.3	$631.7	$132.3
24.5	$ 37.4	$105.8	$ 38.1	$170.1	$ 28.6	$285.9	$197.0	$730.7	$ 62.2	$147.0	$ 39.2
63.5	$ 64.1	$151.4	$ 83.6	$191.7	$ 42.5	$477.7	$401.1	$1,339.0	$ 78.1	$484.7	$ 93.1
90.5	$192.2	$755.4	$251.2	$565.3	$201.8	$1,069.3	$1,325.4	$2,704.6	$320.0	$1,018.2	$322.6
81.7	$313.3	$1,039.2	$383.1	$984.5	$274.5	$2,154.4	$2,036.1	$5,371.7	$468.8	$1,805.4	$476.0
22.94	$ 6.77	$ 6.37	$ 8.72	$ 6.44	$ 4.76	$ 8.62	$ 14.43	$ 18.66	$ 3.47	$ 8.76	$ 7.91
3.6	2.6	2.4	3.2	2.4	2.4	2.6	3.0	2.8	2.2	4.3	3.3
17.4%	12.6%	13.2%	15.1%	12.6%	11.8%	17.1%	13.7%	12.8%	10.8%	16.2%	11.8%
34.6%	30.1%	39.3%	45.6%	44.1%	35.8%	36.0%	39.2%	25.6%	52.0%	40.1%	27.3%
34.0	$177.1	$358.9	$226.8	$465.1	$ 89.7	$1,087.4	$1,052.2	$2,465.5	$ 58.5	$689.3	$140.5

[2]—Includes amort. of drilling & develop. costs, dry holes and lease cancellations, etc. [3]—Includes subsidiary obligations.

again reverted to the neighborhood of its long range growth curve. To satisfy this growing demand the industry had no other alternative but to accelerate its costly exploration and drilling activities in order to build up additional reserves, since future supply must be readied well ahead of immediate needs. In this respect the industry has been quite successful, for it was able to maintain its estimated crude oil—(exclusive of natural gas liquids)—reserve ratio of 12 times annual requirements, the average experience for the past 10 years. It is noteworthy, however, that a large part of these additional reserves were established through revisions and extensions rather than new discoveries.

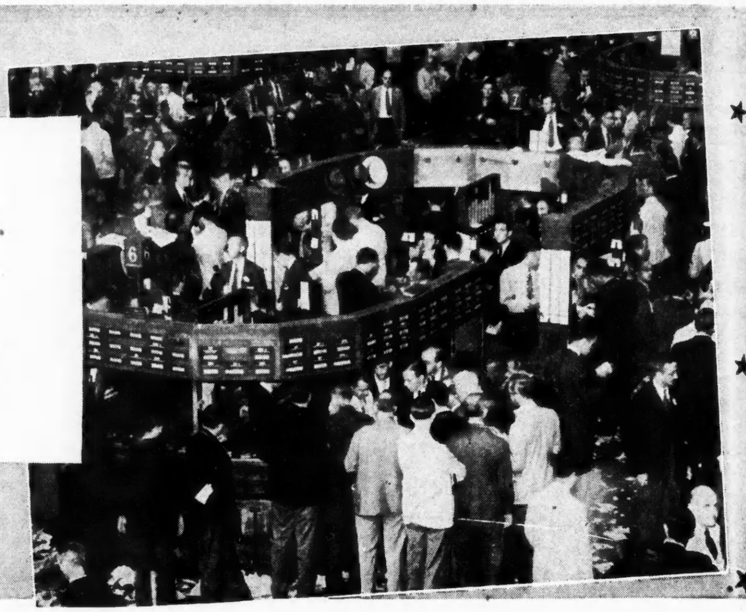
Judging by past experience and assuming equal success for the future, together with additional reserves established through improved secondary methods, indeed, the future for oil supplies does not look bleak. Moreover, natural gas liquids, the reserves of which are currently estimated around 5¾ billion barrels, are gaining more importance as a source of supply.

In the refining end of the business impressive strides have also been made, not only in expanding facilities to cope with the increased demand, but more particularly in product upgrading, i.e. more efficient processes and thereby increasing the yield, and improving the quality. This is illustrated by the fact that gasoline yields averaged about 44.9% in 1953, compared with 43% in 1952 and 42.5% in 1951. Over recent months, the ratio of gasoline produced to total crude runs was stepped up further so that the industry was actually turning out more gasoline per barrel of crude than during the previous motoring season. Considering this trend the prevailing "flood" of gasoline is readily explained; one can only observe, however, that some restraint would seem in order.

Over recent years basic crude-processing capacity has been expanded at a greater rate than has product demand. This was done at the behest of the government in order to create a so-called "excess capacity cushion" for defense purposes. Obviously, temptation is great to make the best use of available capacity, a factor which may be partly responsible for the excess flow of gasoline. Last year total additions amounted to roughly 950,000 barrels per stream day, representing an increase of 12.6% over 1953, thus raising crude charging capacity to 8,437,300 barrels daily basis. Catalytic cracking and reforming facilities which afford greater refining flexibilities and larger yields of higher quality products accounted for 55% of the increase. It is noteworthy that operations of catalytic (called "cat" in the industry) cracking capacity amounted to 33.5% of basic crude capacity at the end of 1953 vs. 32.3% a year earlier. A further substantial betterment in the ratio is anticipated this year.

Although overall expan- (*Please turn to page* 118)

FOR PROFIT AND INCOME



Contrary

On average performance for more than half a century, the odds are stronger for some net gain by the Dow industrial average in December than in any other month. Last December there was a slight decline. The second best month in average results is August. Last August there was a sizeable decline. January has the third best record. In January this year the average rose about 4%. February is one of the three months in which there has been some loss of ground in more instances than not, the others being April and September. In February this year the average rose about 0.7%. March has been an up-month in roughly three years out of five. This year, aided by a spurt in the final trading session, it brought about a 3% net gain in the average. April has seen advances in 27 years, declines in 30. "Average performance," like the Dow average of 30 stocks, is merely an average of wide variations, with little or no reliability as a prophetic indicator.

"The Dow"

At this writing, the Dow industrial average is around 306 and has bettered its January, 1953, top by about 13 points. But so far, only 12 of the 30 stocks in it have surpassed highs made in January, 1953, or earlier; and in some of these cases the additional rise has been small. Relatively large gains by General Electric, Westinghouse Electric, United Aircraft, Texas Company, Eastman Kodak, du-Pont and American Can have been mainly responsible for boosting the average to where it is. Present prices are considerably to sharply under earlier highs for National Distillers, Loew's, Johns-Manville, International Nickel, International Harvester, Chrysler, American Tobacco and American Smelting. In the post-1949 bull market, the highs to date were made in 1950 by Woolworth; in 1951 by U. S. Steel, Procter & Gamble, National Steel, National Distillers, Loew's, Harvester, Corn Products, Bethlehem Steel, American Smelting; and in 1952 by Standard Oil (New Jersey), Standard Oil of California, Chrysler, Johns-Manville, International Nickel and American Smelting. Highs made as far back as 1946 have yet to be topped by American Tobacco, Loew's and Woolworth. At one extreme, National Distillers has fallen about 53% since October, 1951, while over the same period General Electric has risen roughly 80%.

Selection

Experience teaches beyond any shadow of doubt that money is more likely to be lost than made by trying to time general market swings, whether major or intermediate. A few people were wise enough to know that we had a highly vulnerable market in 1929 and profited by knowing it. But another 1929-1932 crash is about as unlikely as another South Sea bubble or Dutch tulip craze. Ruling that out, one's chances of guessing tops or bottoms of more typical bear markets with a satisfactory degree of accuracy are slight; those for timing intermediate swings within bull or bear markets virtually nil. More money

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1953	1952
Boeing Airplane Co.	Year Dec. 31	$12.51	$8.67
General Dynamics Corp.	Year Dec. 31	7.01	5.72
Lockheed Aircraft Corp.	Year Dec. 31	5.79	3.43
Bohn Aluminum & Brass	Year Dec. 31	3.02	1.66
Rexall Drug, Inc.	Year Dec. 31	.90	.56
Republic Steel Corp.	Year Dec. 31	9.25	7.21
Vanadium Corp. of Amer.	Year Dec. 31	5.41	4.17
White Motor Co.	Year Dec. 31	6.20	4.44
Evans Products Co.	Year Dec. 31	4.17	1.34
American Seating Co.	Year Dec. 31	2.63	1.89

by far has been made by buying the right stocks and holding them on a permanent or semi-permanent basis than by in-and-out operations. It is better to "sell your losses"—before they become large—than to dispose of satisfactory holdings, pay the tax on profits and risk loss of a good position. There is, of course, a margin for error in making selections, but a wider one in timing efforts. Stocks can be analyzed on an intelligent, factual, investment basis—but the stock market will outguess you more often than you can outguess it.

Groups

So far in 1954 the stock groups faring best include aircraft, amusements, business machines, construction, containers, finance companies, paper, petroleum, public utilities, soft drinks and tires. Among the more laggard groups in first-quarter performance were airlines, automobiles and auto accessories, baking, coal mining, dairy products, department stores, food stores, liquor, mail order, meat packing, radio and TV, rail equipments, railroads, sugar, textiles, tobaccos, and variety stores.

Coppers

The long laggard copper stocks have been given a lift, along with lead and zinc issues, by announcement of the Government's deal to buy 100,000 tons of surplus copper from Chile for stockpiling and of its intention to buy "non-ferrous metals" more actively for stockpiling for the frank purpose of bolstering prices. Aside from the purchase of Chilean copper, the program evidently is aimed mainly at aiding domestic lead and zinc. Chile still holds another 100,000 tons of surplus copper. Even partial sales in the world market, plus efforts to dispose of about 20,000 tons of monthly output, is expected to lower prices. They have been maintained at about 30 cents a pound longer than had been anticipated earlier because of Chile's withholding tactics and depletion of copper inventories by users, especially in Europe. Demand here has contracted considerably, and aluminum is gradually taking more of the market from copper. Earnings of the major companies will make a fairly good showing this year, but are subject to considerable shrinkage from the present level, once the long deferred price adjustment begins. Anaconda, Kennecott and Phelps Dodge have had good rallies, but remain well under earlier highs. Phelps Dodge has the merit of mining only in the U. S.; Kennecott of huge financial resources and varied interests other than copper. Despite its large venture into aluminum production, Anaconda, with over half of copper output in Chile, is the least desirable holding.

Flying High

In new high ground, aircraft stocks have risen over 200% on average from their 1949 low. During World War II these stocks sold at low valuations of earnings because the latter were figured to be mostly non-recurrent "war-baby" profits. On anticipatory speculation, they reached a high in 1939, shortly after start of the war in Europe, which was not bettered throughout the 1942-1946 bull market; and was not surpassed until 1951. They are mainly dependent on defense or war business, and possible shifts in Federal policies, as well as contract pricing. But earnings will be good at least into 1956; and the country is committed indefinitely to big and continuously up-to-date air power. So investors are now shifting away somewhat from the concept of non-recurrent profits. The imponderable in this situation, defying analysis, is how far this psychological shift might go. The price-earnings ratios of the leading stocks are still moderate, yields high in most cases. Nobody can say therefore, that issues like Boeing, Douglas, North American Aviation or Lockheed are too high.

Cups

Use of paper drinking cups has had phenomenal growth in comparatively recent years. They were originated by Dixie Cup, the best known name in this good line of business. Since 1936, sales of this company rose about 735%, while share earnings more than tripled. Future gains will be much less spectacular, but sales were up another 23% in 1953; and demand is still strong enough to require further expansion of capacity. Net was $3.55 a share in 1953, after $1.15 a share of EPT, and may be in the vicinity of $5 this year. The $1.80 dividend probably will be raised. The stock has risen from a 1949 low of 12⅛ to recent high of 54½—a gain nearly four times that of the Dow industrial average. The performance of the slightly larger (in terms of sales) Lily-Tulip Cup, as regards growth of volume and earnings, as well as market rise, has also been spectacular. Not yet reported, 1953 net probably was around $4.50 a share. Dividends are at a $2.40 rate. The stock has gone from a 1949 low of 12⅝ to current high of 73. With heavy EPT savings, 1954 net might be around $6.50 a share or more. With Dixie a little over 10 times possible 1954 net, and Lily-Tulip at perhaps 11 times or so, neither can yet be called extremely high as growth stocks go.

Squeeze

In the first quarter, General Motors' output of cars was 49.4% of the total, against 45.5 a year ago; Ford Motor Company's 33% against 21%. Chrysler's fell to 12.9% from 22.1% a year ago, total output of the smaller companies to 4.8% of the aggregate from 11.4%. Chrysler's rise from a minor position in the mid-1920's to about 25% of the total market by around 1936-1937 was at expense of Ford and the so-called independents. As the above figures

(*Continued on page* 128)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

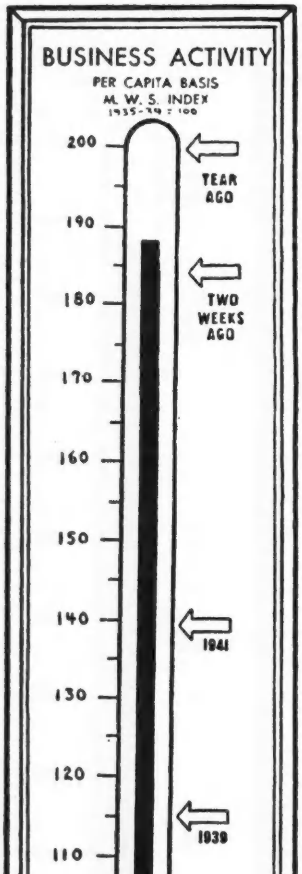
		1953	1952
N. Y. City Omnibus	Year Dec. 31	$1.47	$2.52
Trans World Airlines	Year Dec. 31	1.52	2.30
Consol. Min. & Smelt. of Can.	Year Dec. 31	1.23	2.00
Braniff Airways Inc.	Year Dec. 31	.01	1.02
Pond Creek Pocahontas Co.	Year Dec. 31	4.37	5.36
Brunswick-Balke-Collender	Year Dec. 31	.32	1.32
Consolidated Laundries	Quar. Dec. 31	.06	.16
Firth Carpet Co.	Year Dec. 31	.45	.94
Hollinger Consol. Gold Min.	Year Dec. 31	.15	.39
Amer. Sugar Refining	Year Dec. 31	7.64	10.43

The Business Analyst

What's Ahead for Business?

By E. K. A.

Many business men and investors — accustomed to taking their statistics straight, i.e., without benefit of "seasonal" adjustments — are likely to find it increasingly difficult in the coming weeks to determine the true course of business. Everyone is looking hopefully for an end of the business downturn that began approximately a year ago, and there is an increasing tendency to concentrate attention on the favorable developments and to ignore the less favorable.



There has been some improvement in recent weeks in a number of lines of business activity. Prominent among these have been residential construction and automobile sales, two of the major bulwarks of our economy. It is of utmost importance to note, however, that new housing starts and automobile sales always improve with the passing of Winter and the approach of warm weather; in other words, the improvement shown is seasonal.

In fact, the customary spring rise in construction activity and numerous other "outdoor" business activities usually is sufficiently strong to create employment for several hundred thousand workers and to reduce unemployment from its customary dead-of-winter high. Even in 1949, when general industrial activity was declining, the seasonal "pull" was sufficiently strong during the early Spring to reduce unemployment by over 200,000 from February to April.

In some markets, such as those for textiles, a fair amount of new business customarily develops after the volume of Easter and early Spring retail apparel business can be determined with reasonable accuracy. Bursts of activity in the textile markets and in a number of other markets related to consumers' goods almost invariably occur during the Spring, regardless of whether the retail season has been as successful as anticipated or otherwise.

Business men are accustomed to think of the Fall and early Winter as a period of reviving activity, stimulated to no inconsiderable degree by the approach of Christmas and heavy consumer spending. But, in this postwar world with its increasing emphasis on vacation and travel, preparations for leisure activities play an important role in providing a springtime lift to numerous lines of business enterprise. This is a factor of growing importance.

The problem now and in the weeks ahead is to properly evaluate the numerous indications of improvement in the business structure, tempering one's findings by the less favorable developments. It will be important to determine whether the improvement in numerous lines is fully up to normal, greater than normal, or less than normal. And, also, the extent to which the less favorable developments conform to seasonal patterns.

Unfortunately, even the professional statisticians are none too sure of the normal extent of the Spring rises in a number of important business series. There has been considerable shift in a number of seasonal patterns since prewar but strikes, war scares, and the comparatively short period since the end of World War II render it difficult to pinpoint what the statisticians call "normal seasonal expectancies". In all probability, business men will be confronted in the weeks ahead with contradicting interpretations of the various statistical series on business and related activities.

Border line determinations, showing minor improvement or slackening after adjustment for "seasonal", need not be taken too seriously. A vigorous, greater-than-seasonal rise this Spring could provide sufficient impetus to soften the customary Summer business slump and encourage strong revival in the Fall. If, on the other hand, the Spring business pickup falls short, the usual Summer slump may be deepened and the "testing time" deferred until next Fall.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—Prices of high grade bonds have been marking time for some weeks now, taking a well-earned breather after the steady climb from last June's lows. The current stability is well illustrated by the yield on an average of best-grade corporates which, for the fourteen consecutive trading days through April 2, has remained unchanged at 2.85%. Treasury obligations have risen a bit in the two weeks ending April 2 with the longest-term 3¼s of 1983 up 5/16 and the Victory 2½s of December, 1972-1967 gaining ¼ point. However, the balance between supply and demand in the bond market is a delicate one at the moment, as can be seen from the action of tax-exempts which have been declining since early March as the result of a heavy calendar of new issues which has outweighed normal demand for this type of obligation.

In the past few weeks a seasonal rise in the demand for money has put in an appearance. This development, plus the extent of the previous rise in prices and noncomitant decline in yields, has contributed to the current irregularity in some sections of the market. Future trends will be dependent to a great extent on Federal Reserve policy and the course of Treasury financing, and the monetary authorities are carefully studying the effect on business of the current interest pattern, before taking steps that could set up a new structure of rates.

The nation's currency and bank deposits are beginning to show the effects of business retrenchment. From just before last Christmas through this March 24, currency in circulation has dropped by $1.5 billion, a bigger decline than in any comparable post-war period. Bank deposits on February 24 were $8.9 billion below the amount on deposit at the end of 1953, also a more severe contraction than in any recent year. Although later deposit data for all banks are not yet available, figures for the weekly reporting member banks indicate a continuance of this trend in March. The nation's total money supply is still above year-ago levels, but the spread over a year ago is steadily narrowing. Furthermore, it is in the relatively inactive time deposit category that most of the increase over a year ago is found while demand deposits have failed to show much expansion. The course of the money supply is a reflection of the slower demand for loans which has developed in recent months. This condition is continuing despite the Federal Reserve's easy money policy which has cut interest charges to borrowers, an inducement which has thus failed to get many of them flocking to the banks for loans.

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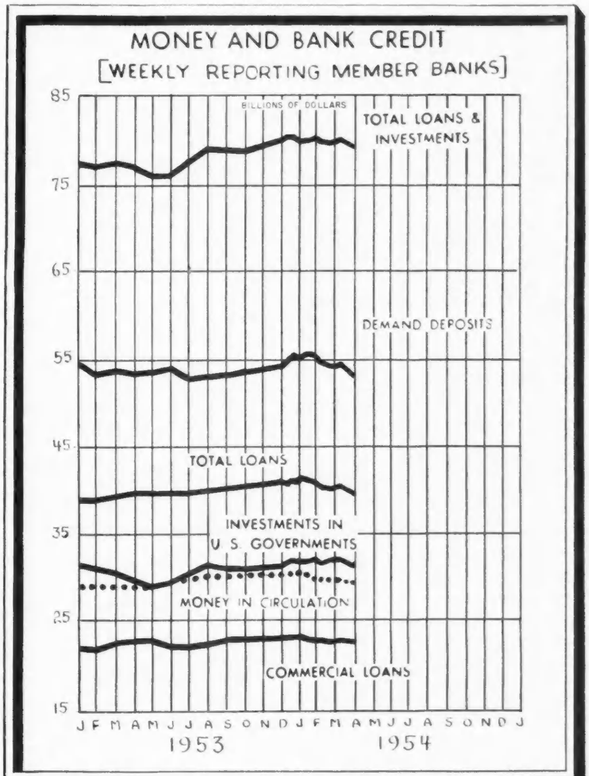
TRADE—The April 1 cut in excise taxes seems to have awakened consumer interest in those goods which have been reduced in price, although in part this represents an accumulation of buying orders which had been awaiting lower prices. The last week in March was a poor one for retailers and Dun & Bradstreet estimates that sales were 6% under a year ago. This poor showing is partly the result of this year's late Easter and also reflects the deferment of purchases until the tax reduction went into effect. The Midwest and Southwestern areas made the worst showing with sales 8% under the corresponding 1953 period while the Eastern states were down only 3%. Most items were unable to match year-ago levels although food was in good demand.



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INDUSTRY—Some industries have been more active in the second half of March and the MWS Business Activity Index rose to 187.6 for the week ending March 27 from 184.9 two weeks earlier. There was an increase in crude oil refinery runs during the period and electric power production and lumber shipments also were higher. Activities which were lower as March neared a close than they had been in mid-month included coal production, freight car loadings, paperboard output and output of steel ingots.

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COMMODITIES—Actively traded commodities have continued to rise in spot markets and the MWS index of 14 raw materials was up to 152.7 on April 2 from 149.0 four weeks earlier. Nonferrous metals like lead and zinc have been especially strong, reflecting the Administration's stockpiling plans. Rubber and wooltops have moved forward while grains

(Continued on following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	Feb.	3.5	3.4	3.5	1.6
Cumulative from mid-1940	Feb.	540.7	537.2	488.2	13.8
FEDERAL GROSS DEBT—$b	Apr. 2	270.1	270.3	264.5	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	Mar. 24	53.3	54.9	53.3	26.1
Currency in Circulation	Mar. 31	29.7	29.6	29.8	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Feb.	62.4	59.9	50.8	16.1
344 Other Centers—$b	Feb.	96.6	89.6	93.9	29.0
PERSONAL INCOME—$b (cd2)	Feb.	283	284	281	102
Salaries and Wages	Feb.	190	191	191	66
Proprietors' Incomes	Feb.	50	50	50	23
Interest and Dividends	Feb.	23	23	22	10
Transfer Payments	Feb.	15	15	13	3
(INCOME FROM AGRICULTURE)	Feb.	17	17	18	10
POPULATION—m (e) (cb)	Feb.	161.3	161.1	158.6	133.8
Non-Institutional, Age 14 & Over	Feb.	115.8	115.7	119.5	101.8
Civilian Labor Force	Feb.	63.7	62.8	62.7	55.6
Armed Forces	Feb.	3.4	3.5	3.5	1.6
unemployed	Feb.	3.7	3.1	1.8	3.8
Employed	Feb.	60.1	59.8	60.9	51.8
In Agriculture	Feb.	5.7	5.3	5.4	8.0
Non-Farm	Feb.	54.3	54.5	55.5	43.2
Weekly Hours	Feb.	41.0	41.0	41.3	42.0
Man-Hours Weekly—b	Feb.	2.23	2.23	2.29	1.82
EMPLOYEES, Non-Farm—m (lb)	Jan.	47.7	49.7	48.4	37.5
Government	Jan.	6.7	7.0	6.7	4.8
Factory	Jan.	12.7	13.1	13.6	11.7
Weekly Hours	Jan.	39.4	40.2	41.0	40.4
Hourly Wage (cents)	Jan.	180.0	179.8	174.0	77.3
Weekly Wage ($)	Jan.	70.92	71.96	71.34	21.33
PRICES—Wholesale (lb2)	Mra. 30	110.9	110.8	110.0	66.9
Retail (cd)	Jan.	209.5	209.1	209.0	116.2
COST OF LIVING (lb2)	Jan.	115.2	114.9	113.9	65.9
Food	Jan.	113.1	112.3	113.1	64.9
Clothing	Jan.	104.9	105.3	104.6	59.5
Rent	Jan.	127.8	127.6	121.1	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Jan.	13.7	13.9	14.1	4.7
Durable Goods	Jan.	4.5	4.6	5.0	1.1
Non-Durable Goods	Jan.	9.2	9.3	9.1	3.6
Dep't Store Sales (mrb)	Jan.	0.82	0.85	0.84	0.34
Consumer Credit, End Mo. (rb)	Jan.	28.1	28.9	25.7	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Feb.	21.8	20.8	24.5	14.6
Durable Goods	Feb.	9.5	8.6	12.4	7.1
Non-Durable Goods	Feb.	12.3	12.2	12.1	7.5
Shipments—$b (cd)—Total**	Feb.	23.6	23.9	24.7	8.3
Durable Goods	Feb.	11.4	11.6	12.7	4.1
Non-Durable Goods	Feb.	12.3	12.3	12.1	4.2
BUSINESS INVENTORIES, End. Mo.**					
Total—$b (cd)	Jan.	80.7	81.1	77.1	28.6
Manufacturers'	Jan.	46.4	46.7	44.3	16.4
Wholesalers'	Jan.	11.8	11.7	11.3	4.1
Retailers'	Jan.	22.6	22.7	21.5	8.1
Dept. Store Stocks (mrb)	Jan.	2.4	2.4	2.5	1.1
BUSINESS ACTIVITY—1—pc	Mar. 27	187.6	187.4	199.8	141.8
(M. W. S.)—1—np	Mar. 27	232.2	231.9	241.5	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 109)

have been marking time.

The comprehensive index of primary prices compiled by the Bureau of Labor Statistics has also moved forward a bit and at the end of March it stood at 110.9, a rise of 0.4% from a month ago. Farm products were up 2% during the period and processed foods gained 0.2%.

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PRIVATE HOME BUILDING has gotten off to a good start this year with 73,000 new dwelling units started in February, up from 66,000 the month before, the Labor Department has reported. Although February usually marks the beginning of the Spring upturn in housing starts, the increase this year was sharper than in most post-war years. February's rise in activity was confined to privately built dwellings, which after seasonal adjustment, were being started at a 1,180,000 annual rate. Although this was 4% under a year ago it was exceeded in only four months during the past three years.

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UNEMPLOYMENT went up a little more in March, a month that normally sees a diminution in the number of jobless. The Census Bureau estimates that 3,725,000 people were looking for work in mid-March, or 55,000 more than the month before. At the same time the number of people at work rose by 45,000 to a total of 60,100,000, but as the civilian labor force was 100,000 higher, the result was an increase in the number of jobless. Layoffs in manufacturing plants continued to exert a downward pull on the employment totals in March while farm employment was higher, although hampered somewhat by bad weather.

* * *

New orders for **MACHINE TOOLS** turned down in February and the index of such orders, compiled by the National Machine Tool Builders Association, declined to 160.2% of the 1945-1947 average, from 173.5% the previous month. Shipments in February were far above incoming orders and equalled 321.3% of the base period averaging while output continued high at 368.9% of the 1945-1947 period. With shipments outrunning new orders, backlogs continued to decline and it would have taken 5.1 months at current rates of output to complete all orders on the books. This compares with 5.6 months in January and 9.0 months in February, 1953, at then-current rates of production.

* * *

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	Feb.	123	125	134	93
Mining	Feb.	114	114	116	87
Durable Goods Mfr.	Feb.	137	140	155	99
Non-Durable Goods Mfr.	Feb.	112	112	118	89
CARLOADINGS—t—Total	Mar. 27	601	610	715	933
Misc. Freight	Mar. 27	332	334	400	379
Mdse. L. C. L.	Mar. 27	65	66	73	66
Grain	Mar.27	41	41	43	43
ELEC. POWER Output (Kw.H.) m	Mar. 27	8,491	8,572	8,075	3,266
SOFT COAL, Prod. (st) m	Mar. 27	6.7	6.9	8.4	10.8
Cumulative from Jan. 1	Mar. 27	89.7	83.0	107.4	44.6
Stocks, End Mo.	Feb.	75.2	75.7	73.3	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Mar. 27	6.5	6.5	6.5	4.1
Gasoline Stocks	Mar. 27	181	180	163	86
Fuel Oil Stocks	Mar. 27	44	44	41	94
Heating Oil Stocks	Mar. 27	61	63	60	55
LUMBER, Prod.—(bd. ft.) m	Mar. 27	253	250	260	632
Stocks, End Mo. (bd. ft.) b	Jan.	9.1	9.0	8.2	7.9
STEEL INGOT PROD. (st) m	Feb.	7.1	8.0	8.9	7.0
Cumulative from Jan. 1	Feb.	15.0	8.0	18.8	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	Apr. 1	330	284	344	94
Cumulative from Jan. 1	Apr. 1	2,796	2,486	4,044	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Mar. 27	221	211	232	165
Cigarettes, Domestic Sales—b	Jan.	32	29	35	17
Do., Cigars—m	Jan.	412	437	436	543
Do., Manufactured Tobacco (lbs.)m	Jan.	15	14	17	28

PRESENT POSITION AND OUTLOOK

Expenditures for **NATIONAL ADVERTISING** in January were 1% ahead of December and 19% above January, 1953, according to the index compiled by Printers' Ink, which is seasonally adjusted. Best year-to-year gain was posted by network television advertising which ran 48% ahead a year ago. Magazine advertising was up 11%, and newspapers did 9% better than a year ago while business papers gained 4%. The only loser was network radio which dipped 3%.

* * *

Registrations of new **PASSENGER CARS** climbed to a total of 369,592 units in February, up 29,000 from January but 30,000 under registrations a year ago, R. L. Polk & Co., has reported. March sales will show further improvement but whether the increase equals seasonal expectations is still a moot question.

* * *

Public utilities sold 6,185 million therms of **GAS** in February, which was 10.3% ahead of a year ago, the American Gas Association has announced. Although the average consumer used less gas for heating this February, because of milder weather, this was more than offset by higher industrial sales and the addition of about 650,000 customers in the past year.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. l—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

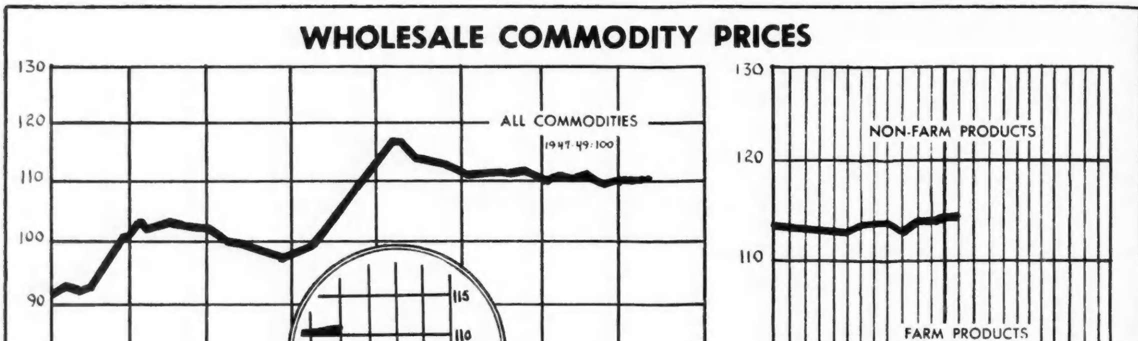
No. of Issues (1925 Cl.—100)	1953-'54 Range High	Low	1954 Mar. 26	1954 Apr.2
300 COMBINED AVERAGE	215.5	177.2	206.4	211.0
4 Agricultural Implements	263.3	179.0	200.5	204.1
10 Aircraft ('27 Cl.—100)	543.3	330.3	527.0	543.3A
7 Airlines ('27 Cl.—100)	693.9	492.6	532.0	561.6
7 Amusements	106.5	76.4	103.9	106.5A
10 Automobile Accessories	280.4	213.8	245.9	250.6
10 Automobiles	49.4	39.0	40.4	40.8
3 Baking ('26 Cl.—100)	28.0	23.0	23.5	23.7
3 Business Machines	425.6	311.4	415.0	422.0
2 Bus Lines ('26 Cl.—100)	240.8	170.2	231.5	238.4
6 Chemicals	396.9	337.9	373.0	391.5
3 Coal Mining	15.4	9.0	9.7	9.8
4 Communications	69.3	58.6	65.7	66.9
9 Construction	75.2	57.0	74.0	75.2A
7 Containers	564.1	456.9	544.3	564.1A
9 Copper & Brass	175.4	125.3	147.4	157.1
2 Dairy Products	108.3	82.3	105.1	108.3A
5 Department Stores	63.3	54.6	60.6	63.3A
5 Drug & Toilet Articles	249.3	203.8	246.9	249.3
2 Finance Companies	466.6	341.8	454.6	466.6
2 Food Brands	200.4	185.0	198.4	198.4
2 Food Stores	140.9	113.0	132.9	134.2
3 Furnishings	79.2	59.6	66.7	68.0
4 Gold Mining	760.0	502.3	622.9	637.9

(Nov. 14, 1936, Cl.—100)	High	Low	1954 Mar. 26	1954 Apr.2
100 HIGH PRICED STOCKS	136.5	114.4	133.4	136.5A
100 LOW PRICED STOCKS	260.5	203.7	240.6	246.5
4 Investment Trusts	112.7	93.1	106.3	109.2
3 Liquor ('27 Cl.—100)	967.8	811.1	840.1	848.6
11 Machinery	240.6	181.0	226.3	230.4
3 Mail Order	128.6	101.0	114.5	122.0
3 Meat Packing	101.7	78.7	87.4	85.7
10 Metals, Miscellaneous	284.5	198.4	245.2	255.3
4 Paper	530.6	394.9	512.2	530.6A
24 Petroleum	472.7	376.5	464.6	472.7A
22 Public Utilities	210.0	173.8	208.0	208.0
8 Radio & TV ('27 Cl.—100)	36.9	27.6	30.4	31.2
8 Railroad Equipment	64.1	49.1	55.8	56.8
20 Railroads	53.2	41.8	44.3	45.1
3 Realty	56.7	42.3	55.6	56.7A
3 Shipbuilding	330.8	228.7	319.0	316.1
3 Soft Drinks	433.3	339.0	429.5	429.5
11 Steel & Iron	151.4	122.8	139.0	142.9
3 Sugar	59.8	45.9	52.3	52.3
2 Sulphur	658.6	525.5	644.9	658.6A
5 Textiles	162.2	101.3	109.4	110.4
3 Tires & Rubber	99.2	70.4	95.8	99.2A
5 Tobacco	105.2	81.1	82.0	82.8
2 Variety Stores	319.5	288.8	288.8	288.8
16 Unclassified ('49 Cl.—100)	125.7	97.0	111.4	112.4

A—New High for 1953-'54.

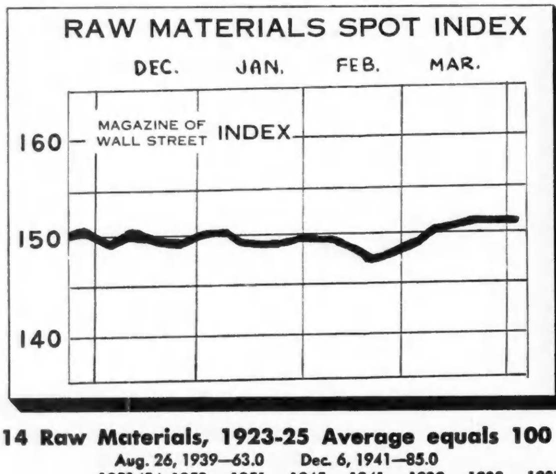
Trend of Commodities

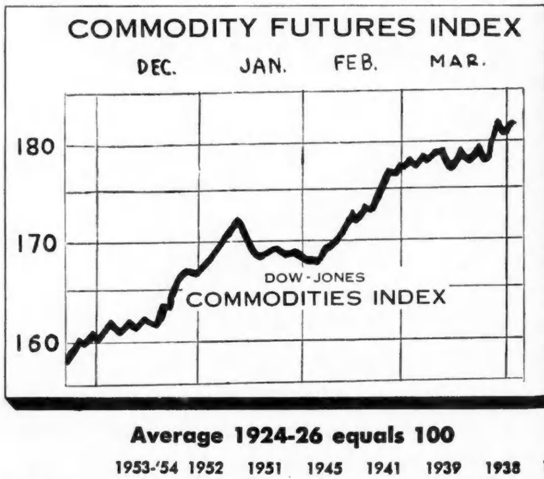
Higher prices for base metals and for such imported commodities as coffee and cocoa, have featured recent trading in commodity futures and this has counterbalanced declines in some of the grains. The Dow-Jones Commodity Futures Index rose 2.79 points in the two weeks ending April 5 to close at 181.36. Some two months ago this index was under 170. Wheat futures have been under pressure in the two weeks ending April 5 and the May option lost 8½ cents to close at 217⅝. There has been some improvement in domestic growing conditions and European weather conditions are reported as very favorable. There is a good deal of soft red wheat overhanging the market but it is expected that this will be absorbed in good fashion before the end of the season. Old crop soybeans have weakened in the fortnight under review with the May future losing 4½ cents to close at 362½. Rumors of Government plans to sell protein dried milk, whi can be used as a feed in place of soybeans, brought selle into the market. Profit taking after the sustained advance o recent months was also a market factor. Cotton futures ha been subject to realizing and the July option lost 20 poin in the two weeks ending April 5 to close at 34.48. The cotto cloth market is still slow and mills are cutting output furthe However, there is hope that this season's exports will to last season by about ½ million bales. Coffee is still in th limelight with new highs an almost daily occurrence. Th September future closed at 92.95 cents on April 5, up fro 87.00 cents on March 22. In January of this year this optio was as low as 65 cents. Frost damage to the Brazilian cro will mean smaller supplies although demand may also b reduced if consumers cut down on their use of coffee.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

	Date Apr. 5	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	91.6	90.3	88.5	86.6	53.0
9 Foodsuffs	101.6	100.8	96.5	86.9	46.1
3 Raw Industrial	85.1	83.5	83.1	89.6	58.3
5 Metals	97.7	87.6	88.0	107.7	[illegible]
4 Textiles	87.3	86.5	87.8	87.5	[illegible]
4 Fats & Oils	74.4	76.7	71.1	59.9	[illegible]





14 Raw Materials, 1923-25 Average equals 100

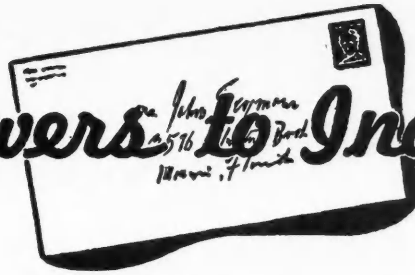
Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6

Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	[illegible]
High	181.9	192.5	214.5	95.8	74.3	78.3	65.8	[illegible]
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	[illegible]

Answers to Inquiries



The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. **Give all necessary facts, but be brief.**
2. **Confine your requests to *three listed securities* at reasonable intervals.**
3. **No inquiry will be answered which does not enclose *stamped, self-addressed envelope.***
4. **No inquiry will be answered which is mailed in our postpaid reply envelope.**
5. **Special rates upon request for those requiring additional service.**

Libby-Owens-Ford Glass Company

"I have subscribed to your Magazine for the past five years and have found your articles interesting and informative. I would appreciate receiving recent data on Libby-Owens-Ford Glass Co. and please include any facts you have on their expansion and improvement program."

S. L., Houston, Texas

Libby-Owens-Ford Glass Company reported sales of $212,490,726 in 1953, with net profit from operations of $19,23,667, equal to $3.72 a share. These operating earnings compare with $14,907,893 or $2.88 a share in the preceding year. Sales in 1952 totaled $166,442,764. Additional profits totaling $4,588,539 of a non-recurring and non-taxable nature resulted from special items, including the sale of the acids of the Plaskon Division.

Investment of $18,213,691 by the company for expansion and improvement of manufacturing facilities was the largest of any year in its history.

Major improvements were the completion of the first twin-grinding plate glass plant at Rossford and a large addition to the East Toledo plant for production of the new panoramic windshields. The Technical Building which houses research, engineering and product development was enlarged.

Plants also sharing in the improvements are located at Charleston and Parkersburg, West Virginia, Ottawa, Illinois, Shreveport, Louisiana, Houston, Texas and Brackenridge, Pennsylvania. All plant improvements and new facilities completed to date have been paid for without incurring debt and the company is concluding its major postwar expansion program in a strong cash position.

At the end of the year the company had $27,415,955 in its plant improvement and replacement fund, substantially all of it invested in government securities.

The major improvements were carried on while the company achieved a new peak in sales of $212,490,726, which were 28% greater than the previous year, and 39% above the average for the previous five years.

The Fibre Glass, Liberty Mirror and Corrulux Divisions were reported to have made substantial progress in 1953 notably in new products, improved facilities and increased employment.

Panoramic windshields, twin-ground plate glass which sets new standards of quality, and a new glass-sealed Thermopane insulating window unit, were important new glass products introduced by the company in 1953.

Administrative and general, sales, advertising and research expenses totaled $14,284,840. Taxes including a provision for $4,700,000 of excess profits taxes amounted to $29,491,872.

Total provision for depreciation, depletion, amortiaztion and obsolescence was $7,586,494.

The balance sheet at the close of 1953 indicated manufacturing properties which cost $107,925,124 carried at a depreciated value of $42,615,678. Inventories were $24,544,270, slightly less than at the end of 1952. Current assets were $51,965, 358 compared with current liabilities of $22,676,589 of which $7,040,000 was for federal taxes not covered by government notes and certificates.

A substantial increase in school, hospital and office construction in 1954 is forecast by the chief executive of the company.

Dividends for 1953 totaled $2.10 per share and 90¢ including an extra was paid in the first quarter of the current year.

Gaylord Container Corporation

"Please review the operating record of Gaylord Container Corporation for 1953 with emphasis on any new developments."

S. C., St. Louis, Mo.

Net shipments of products and services of Gaylord Container Corporation for 1953 totaled $91,524,000. This compares with $86,718,00 for 1952 and represents the largest volume of shipments in the company's history — both in units and in dollar value.

Net earnings were $7,796,000 compared with $8,116,000 for 1952. Earnings per share of common for 1953 were $2.89. In 1952, earnings were $3.01 but this included 22¢ per share, representing a refund of excess profits tax.

In his review of the year's operations, the company president noted that the paper industry produced 26,622,000 tons in 1953, an increase of 9% over 1952 and a new high. Production increased 10% in shipping containers, one of Gaylord's principal products; also establishing a record high. The company kept pace with this industry growth.

More of the company's mill production was sold in the form of converted products, resulting in a

(*Pleast turn to page* 132)

Keeping Abreast of Industrial • and Company News •

Close by Bartow, Fla., a new plant, built and operated by **International Minerals & Chemical Corp.**, is turning out limited quantities of uranium phosphate as a by-product of phosphate chemicals. The new facilities, on which information as to quantity of uranium produced and method of extraction, is classified, is adjacent to International Minerals' new $15 million phosphate chemical plant, the output of which consists of high purity phosphate for livestock feed and fertilizer. The company built the uranium plant with its own funds, with output going to the AEC at a price to allow a "modest profit" and the Government permitting International Minerals to get back plant cost over a 10-year period.

All the advantages of non-combustible "Fiberglas" acoustical tile now can be had at a cost comparable to ordinary tile under a new rapid installation method just announced by **Owens-Corning Fiberglas Corp.** One of the major factors in reduction of application costs is that the tiles come in two-foot square units, a size made possible because "Fiberglas" acoustical tile is dimensionally stable and will not bow, sag or warp when spanning 24 inches. Known as the "Ful-Spline System", the method permits installation on wood furring strips and nailable surfaces by special staples and aluminum splines. Other features of the tiles are providing ceilings with the attractive texture, longer life, greater sound absorption, light weight, non-combustibility and other qualities of "Fiberglas" tile in those areas where, because of construction practices or budget limitations, conventional tile nailed or screwed to wood furring strips normally would be used.

Trout fishermen will probably be interested in a new 14-foot tapered line coated with **Union Carbide & Carbon Corp.'s** Bakelite vinyl-resin-base plastisol that can be used with spinning tackle for fly casting. This new line, said to be longer wearing and better floating than the usual oil-finish tapes, can be tied to the end of the ordinary spinning line, making the tackle ready for casting. Using the tapered line makes it possible for ordinary dry flies, wet flies or bass bugs to be placed accurately and lightly on the water's surface at distances up to 75 feet. After the fish is hooked, it is played with the conventional spinning technique until the loop end approaches the reel, when the line is stripped-in as in fly casting.

New lightweight conveyor belts made of Koroseal instead of rubber are being introduced by the **B. F. Goodrich Co.** The new belts have a smooth, non-porous surface that can be easily cleaned and that does not impart odors to food. Made of the same tough flexible material used for Koroseal garden hose and upholstery materials, Koroseal belts are designed for handling such materials as nuts, meats, greasy pans and bakery products at temperatures up to 150 degrees Fahrenheit. The company also announces a new line of "eye-rest" green colored belts for use in the food industry. One series, called "Highseal", operates at temperatures up to 212 degrees F. The other, called "Kleenseal" is designed for low-cost handling of fruits, vegetables and for use in canning and bottling plants.

Considering that conventional steel dies require three to eight months to manufacture, "magic" is the only word to describe the new plastic dies that have just been developed by the **Chrysler Corp.** What Chrysler's plastic experts did was to make a die out of liquid plastic in three to four weeks and that would withstand over 20,000 pounds pressure per square inch in stamping out steel parts. Although plastic dies are not yet used for long production runs, initial tests have proven the value of the process and their use in the very near future, according to the company, is assured. Another big factor is the lowering of die costs. Even the experimental dies now being made are said to be 30% cheaper than conventional steel dies and when they are used on a large scale, it is estimated the saving in die costs may run as high as 70 per cent.

Providing investment service on wheels is an innovation of the New York Stock Exchange firm of **Merrill Lynch, Pierce, Fenner & Beane.** The firm is utilizing three 30-foot buses to travel the highways and byways of the New York, Boston and Chicago suburban areas while keeping in touch with the firm's controlling branch office, as well as with stock and commodity exchanges, by radio telephone. Each bus is fitted with a "board room", seating at least six customers comfortably while they watch the posting of prices of commodities and stocks. Each bus also contains two offices for private consultations between customers and the firm's representatives making up the staff of the bus caravan.

Another milestone in communications was reached last month when the Bell Telephone System of **American Telephone & Telegraph Co.**, put into service the major section of a new-type coaxial cable system capable of carrying more than 5,000 telephone conversations simultaneously. The system employs a coaxial cable about as thick as a man's wrist. It contains eight copper tubes, no bigger in diameter than a fountain pen. Electronic apparatus called "carrier" makes it possible for the cable to "carry" many conversations over a single pair of tubes at the same time. It can also "carry" television, teletypewriter and telephoto messages. The new cable has triple the capacity of any voice (*Please turn to page* 136)

This is PowerFlite

Here's a no-clutch drive so *good* you won't believe it till you *feel* it . . . so *advanced* you should try it before you invest in *any* new car today! As one editor writes, "Chrysler Corp. has a winner in PowerFlite—smoothest and most simply constructed of fully automatic drives."

Just try it, in a Plymouth, Dodge, De Soto, Chrysler or Imperial, and you'll agree! Its sheer delivery of power, (*torque*, to an engineer) reaches 4.7 to 1. Breakaway and acceleration are superb. So is its "kick-down" surge of extra power.

It is the simplest automatic of all to use. No clutch pedal. Wonderfully simplified shift indicator positions. Extreme quiet and smoothness in up- or down-shift.

And it gives you pocketbook advantages, too. Being so simple, it is rugged, light in weight, has fewer parts. Long life is inherent in it. Service, if needed, is reduced in time and cost.

"Wonderful things keep coming your way from Chrysler Corporation." Now it's the most wonderful no-clutch drive of all. ***Won't you come in?***

Wonderful things keep coming your way from

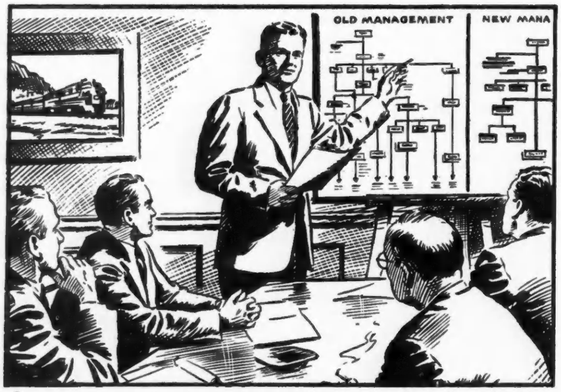
PLYMOUTH · DODGE · DE SOTO · CHRYSLER · IMPERIAL

. . . products of CHRYSLER CORPORATION

$9.3 Million gain in
highlights New York Ce

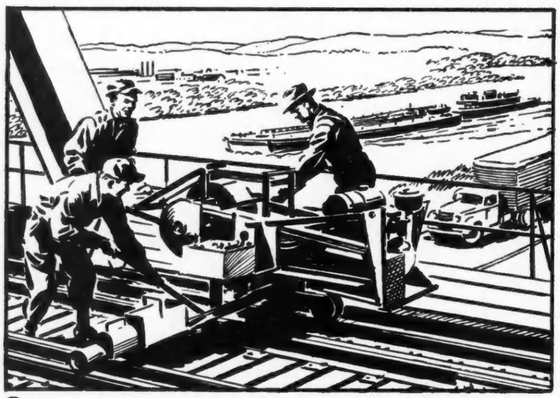
President White's review of his first full year shows revenue increase three times the average for nation's railroads... many new operating economies... earnings up from $3.83 to $5.27 per share... dividends doubled.

BRIEFS FROM NEW YORK CENTRAL 1953 REPORT TO STOCKHOLDERS



1. Management Streamlining Saves $600,000. We have strengthened our management set-up by streamlining the organization . . . Some levels of supervision have been entirely eliminated, making for a more flexible, better integrated team. Among other benefits is better staff work . . . A much closer cooperation between transportation and maintenance officers is another advantage . . . The organizational changes alone are bringing us a saving of nearly $600,000 a year in executive payroll.

2. Better Service Builds Traffic. Better on-time performance of both freight and passenger trains, smoother-riding track and more efficient maintenance . . . are strengthening our competitive position. Operating revenues, at $825,348,776, were the highest in Central's history. They topped 1952's by $18,000,000 . . . This was nearly three times the percentage increase registered by the railroad industry as a whole.



3. More Track Work for $3.7 Million Less. Further step-up in the riding quality of our track is a priority objective in our over-all program of improvement. Increased mechanization of track work and a high degree of management coordination are enabling us to attain that goal efficiently and economically. While reducing maintenance of way expenses by $3,700,000 . . . we accomplished considerably more track work . . . 1,906 miles of track were surfaced with mechanical tampers in 1953, compared with 905 miles in 1952.

4. Many-Sided Attack on Passenger Deficit. Unprofitable services totaling more than 2,740,000 train miles a year were pruned off our operations . . . We are also aggressively bidding for increased traffic on those passenger trains which operate at a profit... We are promoting "travel packages"... family fares... bargain fares for group travel . . . round-trip coach travel on selected routes offering 33 1/3% savings . . . the Manhattan Trip Ticket . . . to determine whether reduction of coach fares will increase . . . net income.

5. Bette
average
1951, wh
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in net earnings
Central Annual Report

5. Better Use of Equipment Helps Cut Capital Outlay. Our average gross tons per freight train in 1953 were 7.5% above 1951, while gross ton-miles per train-hour were up nearly 14% . . . Our capital outlay for improvements in 1953 totaled approximately $83,000,000. This was a sharp reduction from 1952's figure of $140,000,000. This year . . . we are trying to hold capital expenditures to not more than $40,000,000 . . . a modest sum for a railroad the size of New York Central.

6. Best Net Since 1944 Doubles Dividends. With costs controlled and revenues increased, net income improved substantially. At $34,002,039 it was 37.6% above 1952's . . . and the highest since 1944 . . . This permitted dividends totaling . . . twice the amount paid in 1952 . . . To protect and enhance the investment of our shareowners demands continued energetic work of a management that knows railroading . . . Given that type of direction by the present new management, there is sound basis for an optimistic view.

NEW YORK CENTRAL SYSTEM

New York Central

Appraisal of 1954 Outlook for Petroleum Industry

(*Continued from page* 105)

sion plans, as now scheduled, suggest a considerably smaller increase for 1954 but expansion in "cat" cracking will account for a larger percentage. A few words of explanation of the latter process may be in order at this juncture. Catalytic cracking is a relatively young development. Although facilities are more costly the process was initially used to refine hydrocarbons needed in the blending of very high octane gasolines required in aviation fuel during World War II. Subsequently, these operations have been employed in the production of high grade motor fuels which, incidentally, are finding increasing demand. Later improvements to the process extended efficiency and flexibility still further making possible the yield of a broad range of hydrocarbon chemicals (petrochemicals) for use in other industries.

Exploration and Development

The oil industry has also made great strides in other directions, namely in the never ending search for oil. Although exploration or wildcat drilling continues heaviest in some of the proven oil areas such as Texas, Kansas, Oklahoma and California, the greatest percentage gains in the amount of wells drilled was witnessed in the Rocky Mountain Region, which includes the Williston Basin. Incidentally, exploratory drilling attained a new record in petroleum history during 1953, the industry reporting 11,062 wildcat completions. Footage drilled also reached a new peak of 52,146,000 feet. It is also interesting to note that the average depth of wildcats drilled in 1953, of over 4,700 feet, was more than 200 feet deeper than a year earlier, which already showed an increase over preivous experience. With an average of only about 17% of total completions successfully brought in as producing wells, a figure closely approximating the ratio of recent years, it can readily be seen that the cost of finding oil is rising even without taking into consideration higher material and labor costs which, obviously, are an added factor.

Unfortunately, there are no statistics available that would readily reveal the amount of exploratory wells proving up new fields. Instead, the figures shown above include wells representing extension of productive areas in existing fields or which opened new producing horizons, as for instance the recent discovery on the Cambrian sand in Noland County, Texas. As far as new fields are concerned the Rocky Mountain Region, which comprise the Williston basis extending into Canada, where even discoveries of considerable promise are too numerous to mention, would seem to hold the greatest promise. This belief is, in part, substantiated by the rapid build up of exploratory activities in that section. Activity has been greatest in Colorado although Wyoming so far, has the greatest production. The Platte Pipe Line which started output during 1953 has accentuated this trend.

Possibilities in the prolific Gulf Coast territory are by no means exhausted but important interest, no doubt, will be centered in the offshore areas of this section, now that the Supreme Court has rendered what seems to be the final verdict on the long controversy over Tidelands. It should be noted, however, that offshore operations are much more costly than similar activities on land. Most major oil concerns are interested in both these areas and are actively engaged in exploration work.

Petrochemicals

Another field of operation where the oil industry is expanding rapidly is petrochemicals. Since petroleum and natural gas are the basic raw materials employed in petrochemistry and petroleum-processing techniques are used in the production process, petroleum refiners are well situated to participate in this vastly growing field. It is through the modern refining methods, as described under "Production Trends", that the petroleum industry produces a broad list of chemical intermediates which, for the most part, are sold to chemical firms. However, some members of the industry have gone further afield and follow right through to finished products; they, however, are a small minority.

On the whole, revenues derived from petrochemicals represent a small sum relative to total volume of the industry; a reasonable estimate may be in the neighborhood of 5%. Considering the rapidly expanding demand for hydrocarbons as a feedstock for chemicals, the petrochemical end of the business has excellent growth prospects; it is difficult to visualize, however, that it will ever account for a major portion of the oil industry's income.

It is noteworthy that for the year 1953 petrochemicals comprised about 25% of the U. S. chemical production. The petrochemical portion was made up of 18.5 billion pounds or 88% of total aliphatics, 2.6 billion pounds or 46% of aromatics and 7.6 billion pounds equivalent to 9% of petrochemical inorganics.

Dividend Trend and Investment Outlook

One of the principal factors which characterizes the oil group is the well established reputation for their dividend reliability. This is also an important factor, if not the basic one, which has helped oil equities to achieve their great investment esteem. Aided by the persistent and above average growth, the oil industry has attained better than average earnings stability, when compared with other industries. Dividend pay-out has been consistently conservative, affording the industry the opportunity to maintain prevailing rates during periods of temporary or even prolonged business let-downs. As a matter of fact recent and current pay-outs, which for the industry as a whole average around 40%, are considerably more conservative than was the prewar experience when the typical pay-out averaged between 55% and 70%. Thus, prospects for maintenance of present rates would seem well assured. Moreover, due to liberal depletion allowances, non-cash charges are relatively high compared with most other industries so that more liberal dividend policies would actually be justified. On the other hand, the industry's unanimous policy of plowing back the largest part of generated cash into business has contributed immeasurably to broadening of the earnings base. This was also an important factor in keeping the debt load light, relative to total assets and thus helped accentuate growth.

Another aspect of the economics of the petroleum industry which merits some consideration is the fact that in periods of receding

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Appraisal of 1954 Outlook for Petroleum Industry

(*Continued from page* 118)

demand, which could occur during a much deeper business decline than now anticipated, exploration expenditures can be cut back rather sharply, thus permitting maintenance of a strong cash position which, for all practical purposes, should exert a beneficial influence on dividend policy. Giving due consideration to all the factors, equities in this group provide a liberal yield compared with stocks in many other industries.

On a price/earnings basis the group appears reasonably priced, and although selling above their postwar experience which, incidentally, was a moderate appraisal of their intrinsic investment merit, they would have to more than double in price in order to recapture their prewar standing, which only chemical stocks have been able to accomplish thus far.

With considerably smaller expansion in the refining end anticipated for this year, and exploration expenditures likely to run close to 1953 levels, a minor reduction in the industry's capital program seems indicated. On that basis outside financing requirements will be of only minor proportion, and demand on the capital market on the part of the petroleum industry is likely to be small.

The industry as a whole will not be a beneficiary from demise of EPT since only a few companies were subject to the levy, and then only to a very minor degree. But even without the aid from this source, the earnings outlook shapes up satisfactorily.

Appraisal of 1954 Outlook for Chemical Industry

(*Continued from page* 95)

research, based upon the theoretical increase in sales of five times the amount of money spent. Caution should be exercised not to apply this ratio to any given year, but to use it only over a greater period of time. With $20 billion of sales last year, one may reason that these chemical companies allocated better than $600 million to research and development in 1953, from which they ultimately hope to derive $2.5 to $3 billion in sales and $275 million in net after taxes.

Financial Condition Generally Sound

Because of its large degree of mechanization, the chemical industry's rate of capital investment is high, and although a considerable portion of the funds needed has come from retained earnings, reserves, and depreciation, a substantial amount had to be raised through new financing. As a result, the ratio of senior securities to common equity is now not as favorable as it has been at times in the past. Moreover, since most of these funds have gone into relatively expensive plant facilities, the return to highly competitive markets could conceivably cause difficulties among the weaker companies, in addition to having added leverage to common share earnings. As a general observation, however, most chemical companies appear to have remained in a satisfactory financial position from the standpoint of net working capital and liquidity. As there exist some definite exceptions, the investor is well advised to pay close attention to the balance sheet—a task that has all too frequently been overlookei.

Inventories should present no great problem for the chemical companies. The industry is usually quite alert to changes in supply and demand and one need only refer to the poor insecticide year of 1952 to illustrate this point. Although painful to some companies, the unsatisfactory insecticide business did not cause any particular hardship among the majority of the leading enterprises, and it has recently become apparent that, subject to the degree of infestation, the insecticide business this year will once more contribute reasonably satisfactory profits to the earnings of the companies.

Curtailment of production last year, lower prices, and increased selling efforts, have righted the insecticide business and, except to the extent that the production of heavy chemicals is less adapted to changes in schedules, it is believed that sales campaigns of a reactivated sales force will greatly assist in overcoming, or at least minimizing, the fact that chemicals once again are yours for the asking. A sellers market may still exist in certain specialties, but those who have based part of their expansion programming upon isolated shortages inspired by the Korean War, have already experienced a rude awakening, and should be convinced by now that shortages have never lasted very long in this country.

Although the usual lag in the availability of up-to-date information prevents the evaluation of complete data, indications are that exports of chemicals in 1953 again contributed notably to the earnings of the companies. However, with the revival of the German industry, in particular, this period may be approaching an end, as has already occurred in several product lines sold in South America, where the French, Italian and English also battle for existing markets. Imports from Germany, likewise, have been disturbing our chemical manufacturers (in dye stuffs, as an example) and the domestic chemical industry has come out strongly for tariff protection. As this affects the international political situation, there is not too much hope that our chemical industry will obtain the desired protection and one must expect, therefore, that the domestic as well as the foreign business of American chemical manufacturers will have to cope with European competition in increasing measure.

Investment Aspects

The last quarter of 1953 showed an appreciable slow-down in the sales of many chemical products. Although offset to some degree by the development of new products, the fact that farmers increased their customary hide-and-seek attitude in respect to purchases of fertilizers, and that the textile industry experienced no change in the depressed demand situation for its products, resulted in considerable concern in many quarters. More recently, however, fertilizer materials have been encountering an improved sales picture, stimulated primarily by the necessity to cultivate reduced acreage more extensively. Improved manufacturing processes, likewise, should help to maintain a satisfactory earnings situation. It cannot be expected, however

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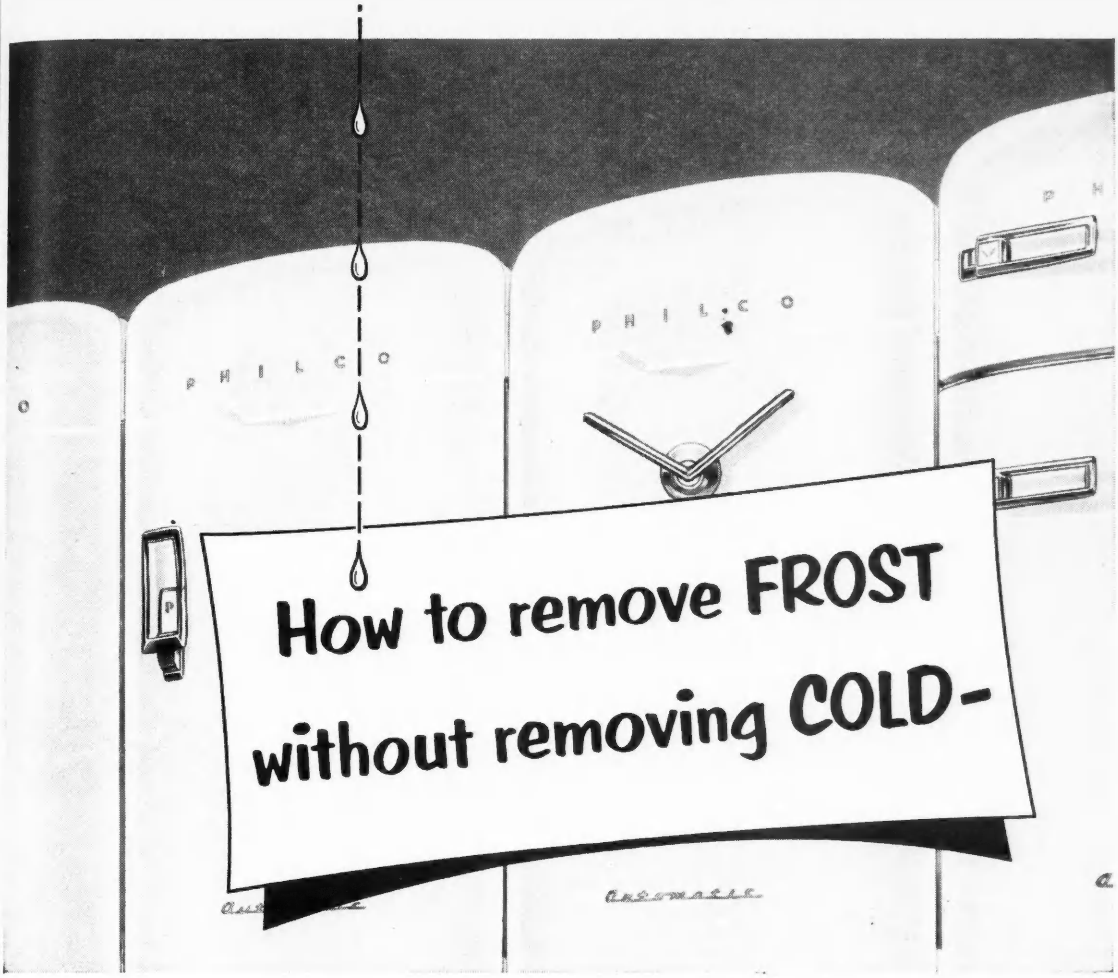

the secret behind Automatic Refrigeration . . .

FROST *insulates* . . . and this fact has long been a major problem to refrigeration engineers.

For in the *ordinary* refrigerator, frost builds up around the cold coils that supply the cooling power, and the cooling power is cut down. Then, whether the frost is removed by shutting off the refrigeration, or by adding heat in addition to speed the process, the unhappy effect is the same—the level of cold is destroyed . . . temperatures rise in both the freezer and fresh food compartments, and quality and freshness suffer.

In finally cracking the problem of removing *frost* without removing *cold*, Philco engineers took an entirely new approach to refrigeration —

They gave separate cooling to the freezer and fresh food compartments. They installed an insulated *vapor barrier* to make each compartment independent of the moisture (or frost) in the other. And they developed the amazing True-Zone plate—a new kind of cooling coil in the fresh food section that removes frost as it is formed, *yet maintains the uniform cold needed for food protection.*

And the whole Philco system works automatically!

The Philco system not only solves the frost problem but also automatically keeps the proper humidity for fresh foods at all times . . . in short, it is the world's first air-conditioned, completely automatic refrigerator.

Summer or winter, rain or shine, there are no controls to manipulate. Yet perfect humidity—neither too dry nor too moist—and an ideal 38° to 42° cold is maintained in the fresh food compartment, and a constant *zero* degrees in the freezer.

In evolving this refrigeration system that "thinks for itself", Philco engineers integrated their research with Philco production facilities to make this great advance available to every home owner. It is another example of the unique teamwork of Research and Application that makes the Philco name synonymous with leadership in Television . . . Radio . . . Air Conditioning . . . Electric Ranges . . . Freezers . . and Refrigeration.

And the end is not in sight!

PHILCO Famous for QUALITY the World Over

ANOTHER FIRST FROM PHILCO RESEARCH

Appraisal of 1954 Outlook for Chemical Industry

(*Continued from page* 120)

that the broad demand for chemicals will be in excess of that found in the first half of last year, when over-all capacity was somewhat lower.

After the expiration of price controls, a sizable number of price inequities were rectified, but increases which merely took advantage of temporary shortages remained just temporary. The key to the near-term outlook for chemicals is improved efficiency and introduction of new products. It would be idle to believe that labor will accept the elimination of overtime without demanding higher wages, and although the chemical industry has a high degree of mechanization, developments in the labor situation in recent years have resulted in a less sheltered position for the chemical industry than heretofore. "Fringe" benefits might just as well be considered a part of fixed overhead but, on the other hand, output per man hour should improve in reflection of increased unemployment and reduced working hours. Recent checkings with chemical companies indicate this to be true.

Recent Sales Trends

What then is the outlook for the investor in the chemical industry over the intermediate period? The answer to this lies in the well-worn expression "selectivity". There is no denying that a small or medium sized company may from time to time give a better account of itself than the giants in the industry. Nevertheless, unless possessed of special means for obtaining information, the investor is usually better off with holding the securities of the larger companies. With the general economic outlook depending principally upon production of consumer durables and activity in heavy industry, chemical companies producing materials that are being used in the manufacture of non-durable goods (phosphates, as an example) are likely to be among the more stable earners this year. Even here, though, some time may have to elapse before further population growth can be expected to result in a demand situation that will require all of the new capacity.

Certain individual lines will, of course, always show very rapid growth. For instance, present ployethylene output is still insufficient to permit complete application of this material to all known uses. However, by the end of 1955, expansion in polyethylene capacity could easily outrun demand, and some makers of the material are frankly apprehensive about the entry of unseasoned manufacturers into this business. Price weaknesses and poor product quality, with resultant apathy of the public towards the many good polyethylene products would make it rather difficult to maintain a high return from the funds expended for research and costly production facilities by the original manufacturers. Also, obsolescense may be caused by the development of new processes. Several weeks ago, one of the leading oil companies announced a unique process requiring less than 500 lbs. pressure per square inch, as contrasted with pressures of 20,000 lbs. to 30,000 lbs. employed in present production methods.

Plastics remain among the more promising products of the chemical industry. The President's Materials Policy Commission has estimated that consumption of plastics will reach 22 billion pounds in 1975. Compared with the estimated 3 billion pounds produced in 1953, even the 1960 estimate of 7.5 billion pounds makes excellent reading. (The 1953 dollar value was around $1 billion). Since the end of World War II, production of plastics has risen over 160% and although this has been exceeded by the increase in aluminum output, it leaves plastics near the top among all post-war industrial expansion. The reasons for this are not difficult to find. In addition to consumer goods, plastics are used for structural purposes today and plastic pipe, whether reinforced by glass fibre or not, is believed to possess outstanding growth possibilities.

Here again, one must be careful in the selection of companies engaged in the plastics business. For instance, in the last decade, the proportion of phenolics and of the alkyds to total production has declined, as have the cellulosics, even though this does not mean that physical output of these materials has been reduced in all cases. Vinyls, styrenes and polyethylene have been the biggest gainers. Among the newer resins, epoxies and silicones seem to be especially attractive, but one need only to visualize the latent potentialities in polyesters for automobile bodies to illustrate the romance that lies in the plastic business.

It is evidently not possible to do justice to the many facets of chemistry without an attempt to generalize. There exist several fields, however, which need be explored for their growth prospects. First, there are the much-maligned synthetic fibres. Despite the poor conditions prevailing in the textile industry, the 1953 output of all synthetic fibres rose 7% over 1952, for a total of almost 1.5 billion pounds. It should be pointed out, however, that last year's results were greatly assisted by the increased output of high-tenacity rayon yarn for the tire industry. As rayon shipments generally lagged behind production in 1953, it would seem likely that this year's overall synthetic fibre output will be below that reported in 1953.

The non-cellulosic fibres showed a 14% gain last year to reach a new record, despite the sharp decline in staple and tow production in the last half of 1953. (Rayon and acetate production alone amounted to 1.2 billion pounds, 5% above 1952 but 8% under 1951.) Nylon has remained the most important non-cellulosic fibre, but it is possible that the newer aerylics will eventually make quite a dent in its dominant position.

Particularly pronounced growth has been witnessed in recent years in the direct application of ammonia to the soil as a highly concentrated and thereby cheap source of nitrogen. This fertilizer material was first introduced in 1946, and while available figures are not too accurate, it is believed that the consumption of agricultural ammonia will reach a record 300,000 tons this year, or ten times the amount consumed a mere eight years ago. Based upon the degree of nitrogen content in fertilizers, anhydrous ammonia now accounts for 15% of the total as compared with 4% in 1947. Several chemical companies have completed sizable additions to

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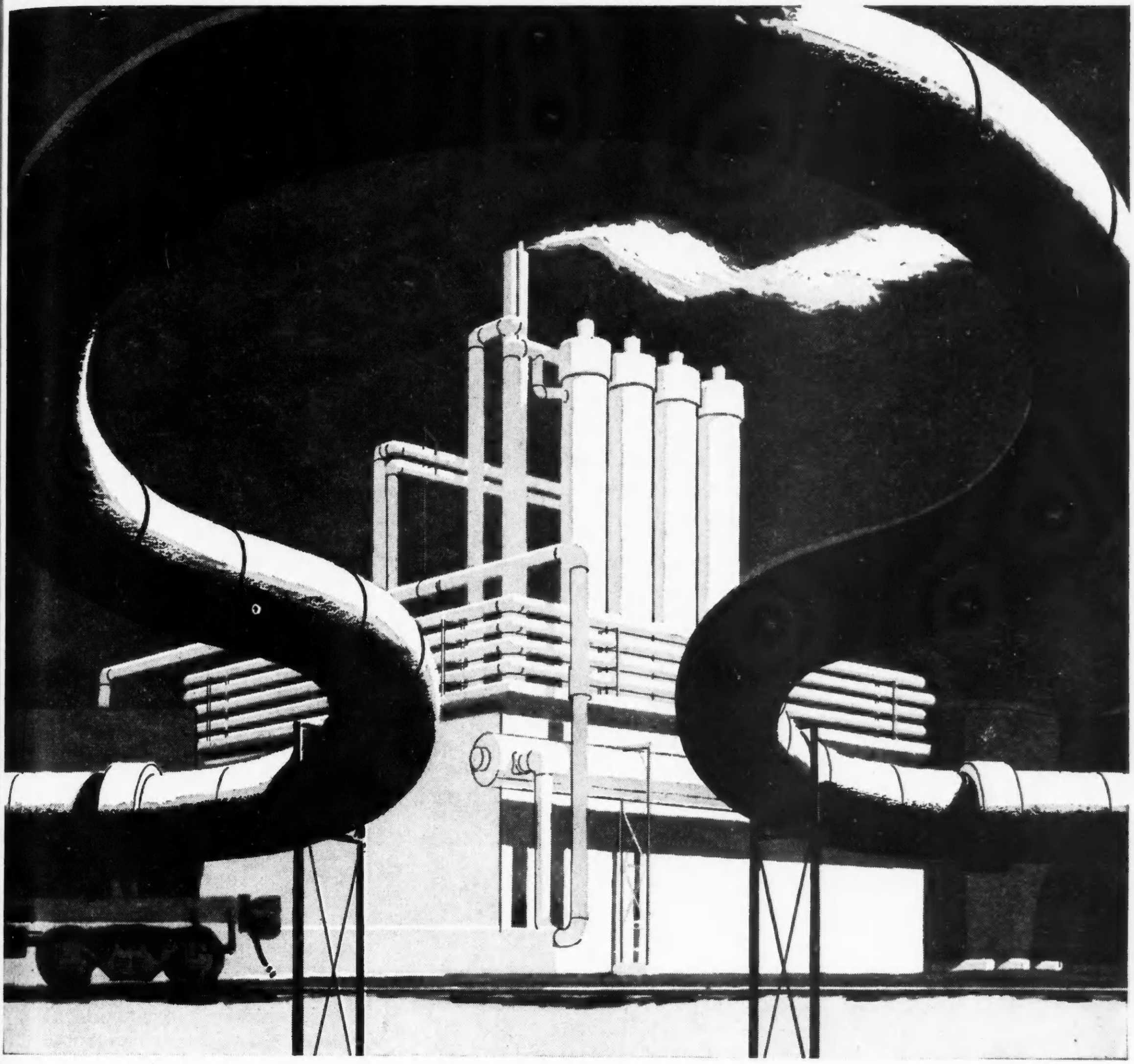

Appraisal of 1954 Outlook for Chemical Industry

(*Continued from page* 122)

their synthetic ammonia production facilities and have also a number of new plants under construction.

As in the case of polyethylene, there are some who are mildly concerned about the indicated huge expansion in this field. On the other hand, it is believed that as farmers are gradually becoming better educated in the use of agricultural ammonia and experience its benefits more fully, there would be ample room for further growth in this material, beyond the first goal to be achieved by 1955-1956. Inasmuch as the farmer must buy certain auxiliary equipment for the application of ammonia, the declining trend of farm income could retard but certainly not eliminate the favorable long term prospects underlying the future demand picture.

Space does not permit an adequate discussion of a branch of the chemical industry which has shown a growth trend that has not been paralleled except in some isolated instances. Of course, reference is made to petrochemicals. With the major portion of this business being conducted by the oil industry, a full coverage would properly belong in a review of the latter. Authoritative sources have stated that the chemical industry produced 100 billion pounds of chemicals in 1952, of which 21 billion pounds represented petrochemicals. As much of these were in intermediates, their dollar value amounted to a full one-half of the total chemical output valued at $5.4 billion. Judging by the trend of past expansion, which has amounted to 900% in the last half dozen years, it can be expected that, measured by the dollar value, petrochemicals are likely to assume an even greater share of the total in future years.

There has been a great deal of variation in the growth of petrochemicals. While less than 8% of all inorganics are petrochemicals, roughly two-thirds of organics are being derived from petrochemical sources. As spectacular as developments in petrochemistry have been, there are still literally thousands of further possible applications of synthetic organics in the research stage. New products and new types of customers should emerge in fairly rapid succession, and the investor is well served to concentrate his holdings in either the securities of oil companies that have a strong petrochemical division or in those of integrated chemical companies having a close affinity to oil and natural gas as a source for a large portion of their raw material requirements.

It has been said that one way to measure the level of a country's industrial activity is to ascertain the amount of sulphuric acid used. By the same token, the chemical industry, as a whole, has become a means of gauging the standard of living of a nation. Political and sociological factors in this country would seem to indicate that our standard of living should remain high and, thereby, have a favorable affect upon the chemical business. This country's economy is a dynamic one, marked by continued growth resulting from research and competition, and the chemical industry has well performed its vital function of furthering strength and freedom through advancement of technology.

Many chemical companies are able to point out that 25%, or 30%, or even 40% of present sales volume is in products not in existence five or ten years ago. At this juncture, it is equally important for management to be proud of strict housekeeping methods and of market research and developments, since the lapse of excess profits tax no longer permits free spending and experimentation. This is specially significant as we have entered a transition period of temporary over-expansion and over-supplies, as beneficial as this may be for the consumer. For the investor, this means a thorough analysis of product mix, sales trends, pre-tax margins, depreciation charges, labor, material and other cost data, in order to arrive at a conclusion regarding the intrinsic worth of his stock. Caliber of management is, of course, another important consideration.

Over-supply is not in all instances detrimental to the business of individual companies, since it forces them to sharpen methods and seek new outlets which often lead to entirely new profit potentials. On the whole, there is no necessity for adopting a defeatist attitude towards chemical securities—but merely a realization that the history of this business from time to time points up the need for a momentary pause. Those who are in a position to take the strictly long range view, such as institutional investors who are dollar-averaging, undoubtedly have a much easier time in the selection of securities than the individual investor. The recent market action of chemical stocks would seem to be a fairly accurate reflection of the foregoing.

Good Quality Stocks Which Are Lagging

(*Continued from page* 97)

paid. In view of the company's strong financial position and its liberal dividend record, the stock may be retained for long-range speculative purposes, despite the probable decline in earnings this year.

MONTGOMERY WARD & CO. For the fiscal year ended Jan. 31, 1954 sales were $999 million, down 7.9% from the $1.08 billion the previous year. Earnings were $6.12 a share compared with $7.41 a share, but the latter included a tax credit amounting to 75 cents a share. On that basis the decline in earnings between fiscal 1953 and fiscal 1954 was only 54 cents a share, a satisfactory showing in consideration of the decline in sales. Apparently the company has better control over costs which will be a not inconsiderable factor in this year's earnings. It is anticipated that earnings for the current fiscal year, ending next Jan .31, will be under those of the preceding year but a satisfactory margin over dividends seems assured. Last year the company supplemented its regular 50-cent quarterly dividend with a $1.50 year-end. The stock seems worthy of retention in view of the company's strong working capital position, in addition to prospects for good coverage of dividends, including year-end extras.

PARKE, DAVIS & CO. Sales in 1953 were $109.8 million compared with $126.3 million, reflecting the upset in the company's chloromycetin division for over a year. As a result, earnings slump-

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Good Quality Stocks Which Are Lagging

(*Continued from page* 124)

ed to $1.91 a share compared with $3.32 a share. Unfavorable publicity attending certain medical reports on chloromycetin had a decided effect on sales at home though foreign sales held up. Other divisions than antibiotics have been doing well, with sales for the last half of the year reported about 8% above the corresponding period of 1952. It is understood that foreign sales generally—aside from chloromycetin—which constitute about 40% of the company's total business are satisfactory. Like some other ethical drug manufacturers, Parke, Davis has had to meet the effects of over-production but this probably is slowly being overcome though full effects may not be witnessed for an appreciable period. Nevertheless, as one of the important factors in the industry, the company's position is entrenched and long-term recovery can be expected. Dividends were reduced last year to 35 cents quarterly and this rate should be maintained. At present depressed levels of about 35, the stock would seem to have rather fully reflected the decline in earnings and should be held on a long-range basis. In 1952, the stock sold as high as 58.

STANDARD BRANDS, INC. Sales in 1953 were $407.6 million compared with $382.9 million in 1952. Earnings were $2.90 a share compared with $2.72 a share. Research and development are playing an increasingly important role in this company's affairs, particularly in groceries, in which line the development of soluble coffee (Chase & Sanborn) and various puddings are experiencing wider markets. The distilled spirits and malt divisions are still under the handicap of lower volume. The over-all outlook for Standard Brands is substantially good and earnings this year should at least correspond with those of 1953 and in fact, could be higher owing to increasingly efficient operations and dynamic pushing of products. The stock has been very sluggishly edging up over the past three years, now standing at about 30. Dividends are paid at the rate of 40 cents quarterly and were supplemented by a 10-cent extra at the year-end. At the present price, the yield is about 5.5% which is fairly attractive for a stock of moderate growth possibilities.

UNITED FRUIT CO. Earnings increased to $5.07 a share in 1954 compared with $4.32 a share in 1952. Political troubles in Guatemala resulting in exapropriation of 240,000 acres of the company's land have forced a program leading to development of new areas with more stable conditions. Demand for high-quality bananas is increasing throughout the world and the company expects a further increase in sales over 1952. The sugar situation in Cuba has been a drawback but some improvement has been noted in that division of the company but how permanent this is cannot be said at this time. In any case, the company's general earning position seems satisfactory. At current prices of around 48 the stock seems to have discounted the uncertainties in the situation. In 1952, it sold at 64¾. The regular dividend is 75 cents quarterly, supplemented last year by a 50 cent extra last October.

Coming Struggle Between Dollar and Pound

(*Continued from page* 91)

to watch in this new trade development is whether the flow of gold from Russia continues. If it does, the United States, with Europe and the rest of the world can not do otherwise than gain.

It has been so many years since the world has been free of artificial controls that the breath of a trade trammelled by little more than fair competition is wellnigh forgotten. There has been an amazing building up of gold reserves so much so that the last report on operations of the European Payments Union shows that settlements among the nations involving billions required actual gold movement of only 1.5 per cent of the total.

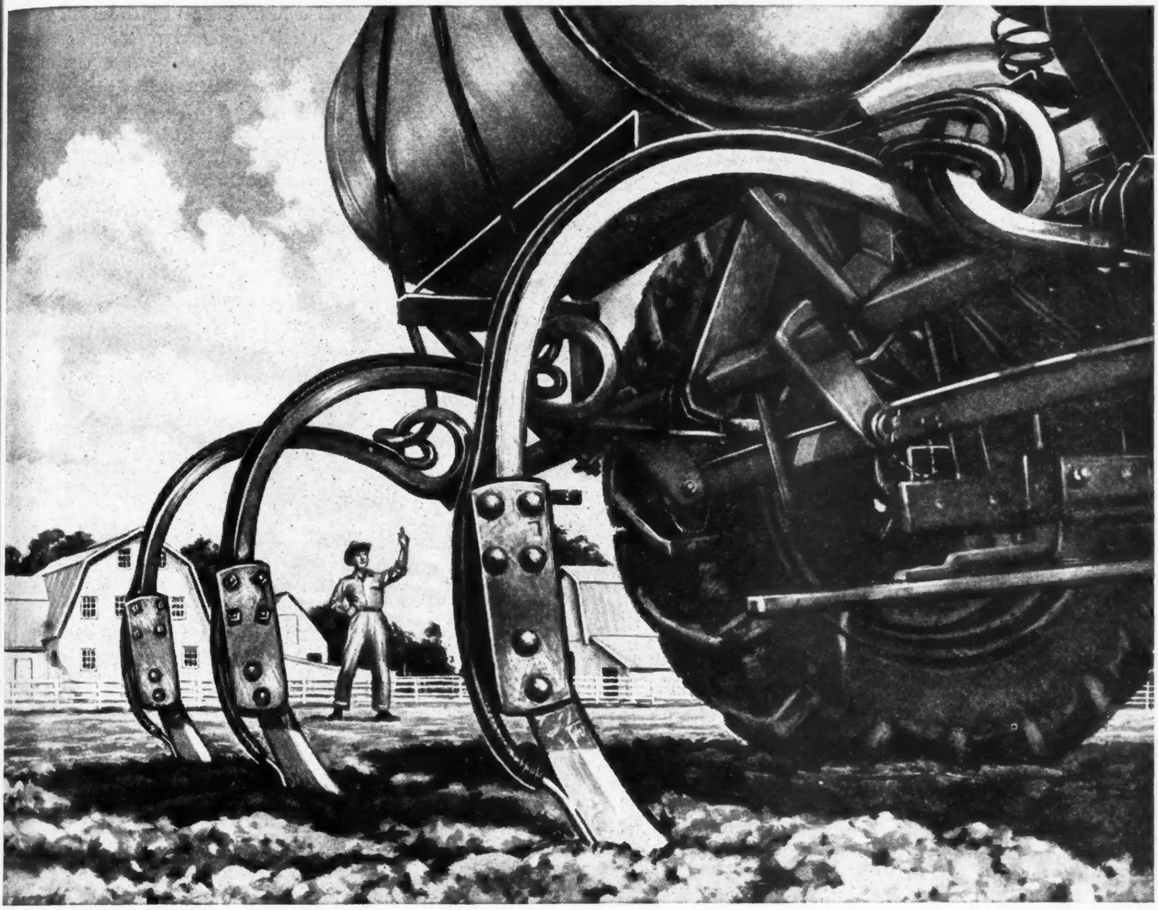
Dollar Still Reigns Supreme

American as well as some European fiscal experts have, for years now been saying that a free gold market and convertibility can only come about through concerted action of all major nations. Yet in 1821, for the first time and entirely alone, Great Britain established a gold standard which endured for a century. Germany adhered to this standard in 1871 without consulting anyone else and never departed from it until the war. Although the United States resumed redemption in 1879 it did not formally adopt the gold standard until 1900 but, in doing so, it acted alone, consulting no other nation.

No convulsion has accompanied the opening of a free gold market at London and none will. Almost every month sees more controls removed from trade, more exchanges freed and more obstacles to world commerce set aside. There is more reason today to look upon world economic news as good, as pointing to a brightening future, than there has been for a long time! It should be clear that in the rivalry between sterling and the dollar in world markets, the American dollar will still reign supreme.

Working Capital of All Manufacturing Corporations in U.S.

Dec. 31	Cash & Governments (Billions)	Current Assets (Billions)	Current Liabilities (Billions)	% of Current Liabilities Cash & Governments	% of Current Liabilities Current Assets
1939	$ 5.7	$ 24.1	$ 9.0	63%	267%
1940	6.9	27.6	11.0	63	252
1941	8.7	35.7	16.0	54	224
1942	14.8	47.0	23.8	62	198
1943	20.9	55.1	27.5	76	200
1944	23.2	56.2	26.6	87	211
1945	22.3	53.1	20.5	109	259
1946	18.2	55.0	20.8	87	264
1947	18.9	62.7	24.8	76	253
1948	19.3	66.8	25.9	75	258
1949	22.0	65.9	22.6	98	291
1950	24.6	74.2	29.2	84	254
1951	27.7	95.1	42.6	65	223
1952	27.3	97.6	42.6	64	229
1953 (9-30)	28.1	100.8	43.5	65	232



HYPO FOR HYBRIDS

To give nitrogen-hungry corn and other crops the plant food that boosts yields and improves quality, today's farmer is relying increasingly on anhydrous ammonia. Ammonia not only furnishes his current crop with an abundance of nitrogen, but provides exceptional carry-over effect on the next crop.

One of the most economical sources of plant-food nitrogen, ammonia is also quick and easy to apply. Applicators, mounted on tractors, inject ammonia gas into the ground. Here, the gas combines instantly with clay particles in the soil and is released gradually to meet the needs of growing plants.

Nitrogen at low cost through ammonia is but one of the ways in which Mathieson helps farmers realize more from their land. Mathieson's modern Ammo-Phos® fertilizers supply the major plant foods in concentrated, highly available forms. Mathieson portable irrigation systems play an important part in increasing crop yields during dry weather. And Mathieson insecticides, herbicides, and fungicides help assure a bigger harvest. Combined with good farm management, chemicals hold the answer to the problem of providing food for 25% more people from the same acreage within the next generation.

• • •

MATHIESON CHEMICAL CORPORATION

Baltimore 3, Maryland

2249-A

ALKALIES • ACIDS • AMMONIA AND NITROGEN PRODUCTS • FERTILIZERS • AGRICULTURAL SPECIALTIES • ETHYLENE OXIDE AND GLYCOLS • DRUGS • PHARMACEUTICALS

For Profit & Income

(*Continued from page* 107)

show, Ford's resurgence is at expense of Chrysler and the independents. General Motors is reasonably priced on 1954 earnings which, with EPT savings, should approximate 1953's, and on a $4 dividend, yielding over 6% at 65½.

Values

As stocks go up, buyers necessarily get less value for their money. Good values are getting harder to find. The selection problem is not too hard in the case of secure-dividends stocks for investors emphasizing income. Examples: American Telephone at 163½, yielding 5.5%; Beneficial Loan at 40½, yielding 5.9%; or Consumers Power at 42,, yielding 5.2%. What about appreciation? We would aim at stocks which appear to have a chance for further rise in 1954, which should not be unduly vulnerable in market reactions, and which have potentials for substantial longer-term (two to three years or more) advance. It is a tall order. Some possibilities: (1) Coca-Cola, of investment grade; (2) Outboard, Marine & Manufacturing, semi-speculative; and (3) Dresser Industries, speculative.

EPT

Many annual reports show exact EPT charges in 1953. Here are a few of the bigger beneficiaries of lower 1954 taxes, with 1953 EPT per share: Boeing $6.04, Bendix Aviation $5.36, Thompson Products $2.99, General Motors $2.20, Cutler-Hammer $2.82, General Electric $2.53, National Acme $3.80, and U.S. Steel $2.03.

Laggards

If one could have bought the "averages" at the bottom of the market last fall, the appreciation would have been sizeable and the pleasure of the lucky investors in proportion. However, this is not possible and the investor must still rely on his acumen in picking the "right" stocks. Many of the better known issues, especially those in the higher-price brackets have acted very well but this is no solace to holders of stocks which have barely moved. A recent compilation shows that not less than two thirds of the common stocks listed on the New York Stock exchange have failed to participate to any important degree in the general market upsurge; and a goodly quantity have either not moved at all or are actually lower.

What 1953 Balance Sheets Reveal

(*Continued from page* 84)

able, which is in a very different category from ordinary borrowing but has the same effect on the balance sheet. Such taxes usually are offset by increased holdings of cash, U.S. tax savings notes, and other short-term investments to provide for their payment. Because of the consequent swelling of both sides of the statement, however, the lowered liquidity ratios now are probably regarded by most analysts as of less importance than the formidable dollar totals of working capital, which continue to climb.

Space permits only a few comments on typical annual reports. We offer this as an aid to interpreting the changes last year shown by the figures summarized in our table.

Burroughs Corp.—"Cash and securities on hand at the close of 1953 totalled $9,067,331, a decrease of $10,761,286 during the year. The change reflects the employment in expansion programs of funds obtained through the issuance of debentures in June 1952.

Caterpillar Tractor Co.—"Expenditures for land, buildings, machinery and equipment in 1954 are expected to be approximately $21,000,000; the provision for depreciation and amortization... $14,000,000. The net increase in plant assets... $7,000,000."

Deere & Co.—"Notes receivable, most of which are due from farmers, increased from $17,343,773 to $26,839,822 during 1953... are expected to increase substantially during the next few years, because farmers probably will use more credit in purchasing farm equipment."

International Shoe Co.—"Increases in accounts receivable, inventories and other items reflect for the most part the increase in the company's annual volume of business with sales for 1953 exceeding $250 million. These increases resulted principally from the Florsheim acquisition."

National Dairy Products Corp.—"During 1954 we estimate we will spend approximately $36 million for new and improved plants and replacements, the largest sum ever set aside in a single year for capital expenditures."

Merck & Co.—"Inventories were reduced during the year by approximately $10,000,000 . . . The strong cash position was further improved because total expenditures for plant and equipment were less than depreciation and accelerated amortization."

Union Carbide & Carbon Corp.—"The arrangements for the issuance of the 100-year notes in the amount of $300,000,000 were considered desirable in view of the expansion program then in progress and contemplated for the next several years."

United Aircraft Corp.—"Working capital increased from $67,632,261 to $79,884,156 during the year. This increase contrasts with decreases for the years 1952 and 1951 when the bulk of expenditures were being incurred for the acquisition and construction of the new facilities required for the present emergency."

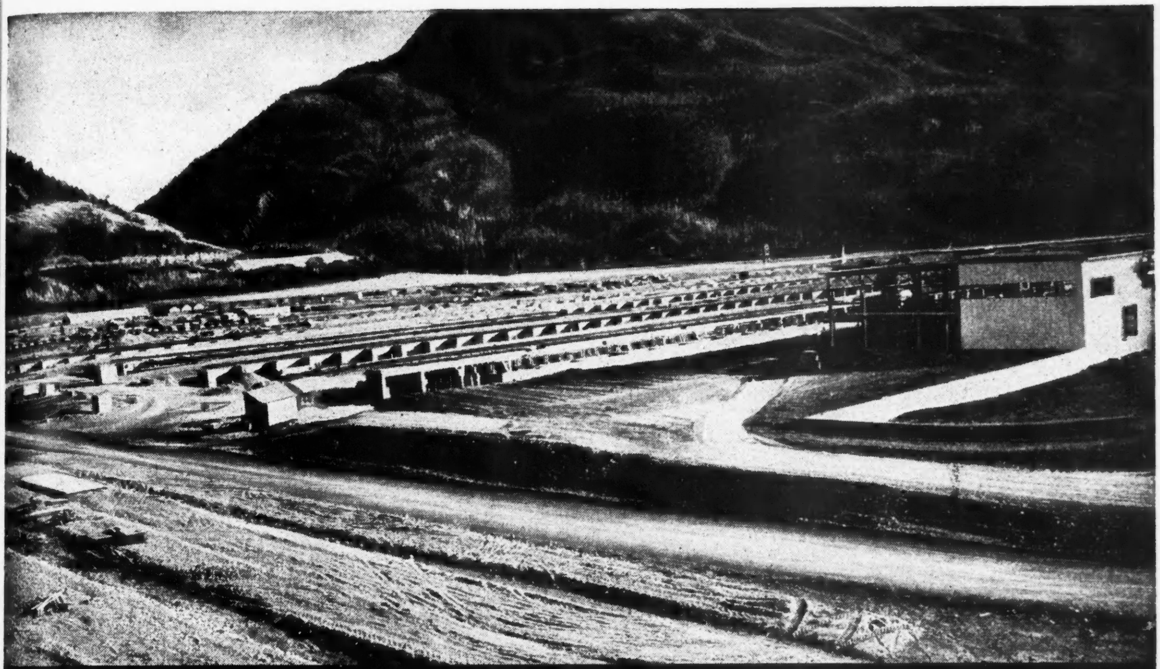
Who Gets the Orders Under the "New Look" in Defense?

(*Continued from page* 79)

that the actual cost to the United States—in dollars alone—of that terrible conflict was on the order of $5 billion a year.

With reference to that part of the table which indicates the probable trend of defense orders for the coming fiscal year, it should be noted that these conclusions are based primarily on general information available as to individual industries affected by the changing direction of defense orders. Where possible, we have also based our conclusions on specific information released by the companies themselves.

Industries likely to receive the bulk of defense orders are: aircraft manufacturing, electronics and atomic energy. Industries which will probably receive less orders are: auto, steel, construction, rubber & tire, clothing and food. Industries which will probably supply about the same amount of material as in recent years are: petroleum, chemicals and drugs.



Construction of Anaconda Aluminum Company's new reduction plant near Columbia Falls, Montana.

OPERATION: ALUMINUM

Anaconda engineers have incorporated the most advanced production techniques in the design of the Anaconda Aluminum Company's new reduction plant now under construction near Columbia Falls, Montana. It is expected that construction will be completed in early 1955 when the plant will provide steady employment for nearly 500 persons, and will have a rated annual capacity of 52,000 tons of primary aluminum.

Anaconda Wire & Cable Company, with years of experience in producing aluminum wire and cable, has been expanding its rod rolling, wire drawing, and cable stranding facilities in anticipation of this new source of supply.

The American Brass Company, also an Anaconda subsidiary, is producing aluminum coiled strip and tube—in addition to copper and copper alloys — and is also adding to its aluminum fabricating facilities in anticipation of the new source of supply.

54289A

ANACONDA
COPPER MINING COMPANY

The American Brass Company
Anaconda Wire & Cable Company
Andes Copper Mining Company
Chile Copper Company
Greene Cananea Copper Company
Anaconda Aluminum Company
Anaconda Sales Company
International Smelting and Refining Company

High Costs Drive Industry to Automation

(*Continued from page* 82)

ing a growing business in supplying manufacturing systems and equipment as other companies step up the mechanization and automation of their own manufacturing.

By comparison with what we have come to consider conventional methods, much of the automation in manufacturing so far achieved appears fantastic—something out of a science-fiction novel. For the layman, it is difficult to comprehend a series of devices or machines 1,600 feet long and occupying 46,200 square feet of space—the whole set up virtually equivalent to one vast machine covering 44 automatic processes and 80 transfer units which combined perform 530 broaching, milling, drilling, reaming, and tapping operations on each engine block casting in an automatically timed sequence. Apparently, this and similar machines are only the beginning of factory automation.

Glimpses of the future can be seen to some extent by designs now on the drawing boards and those that are about to come into general use. Among the latter group is General Electric's record-playback devices that record on tape all the motions essential to the operation of a machine tool and then, when the tape is played back, automatically guides the machine's operation. Other developments include instrumentation systems for the chemical and petroleum industries that automatically measure and control temperature, pressure, volume-flow and other properties of chemicals during processing, thus making quality control an automatic process. Also, there are electric sensing devices which "feel" the product and position it for machining.

Manufacturers of Automatic Equipment

Spurring industry to increased automation are these and other developments in technology and, in turn, intensified competition. The trend toward the automatic factory promises to extend established fields and open up new markets for the machine tool builders. In this group are such old established companies as the Cincinnati Milling Machine Co., perhaps best known for its millers and grinders.

Others in the machine tool group are companies like Ex-Cell-O Corp., producing a wide variety of machine tools and accessories for making precision parts and which has contributed to automation in the dairy industry through its Pure-Pak continuous process for filling paper milk containers; Monarch Machine Tool Co., one of the foremost manufacturers of lathes of various types; National Acme Co., producing, in addition to automatic machine tools, electrical products such as limit, control station and motor starter switches, solenoids and solenoid counters; and, Sunstrand Machine Tool Co., that designs, develops and manufactures a diversified line of machine tools and special machinery. These activities are supplemented by others, including those of an industrial hydraulic division that designs and manufactures hydraulic equipment for use on machinery in the automotive and materials handling field.

Advances made in automation in manufacturing have brought into use myriad electric and electronic control devices. Westinghouse and General Electric are large manufacturers of these products, as are also Square D Co., and Cutler-Hammer, Inc. A single machine will use a number of such devices. For instance, a huge boring mill, built by Niles-Bement-Pond and sold at a price of between $250,000 and $300,000 for installation in Allis-Chalmers Co.'s Milwaukee plant is all electrically operated. The control panels, remotely located, are mounted back to back for a distancce of 20 feet. These panels contain over 500 Cutler-Hammer control devices and over 2 miles of wire.

Automatic industrial process controlling and recording devices have been employed in increasing numbers by practically all processing industries—steel, chemical,, paper, printing, packaging, textile, gas, oil and the public utilities—to improve and maintain product quality, conserve raw materials, increase productive capacity and lower labor costs. Improvements in the technologies of these fields have broadened the utilization of such equipment, and now the pace is accelerating as a result of the more rapid trend toward the automatic factory. One of the leaders in the designing and manufacturing of these recording and controlling devices is Minneapolis-Honeywell Regulator Co. General Precision Equipment Corp., which through one of its divisions is perhaps best known for its manufacture of motion picture theatre equipment, is also becoming an important supplier of industrial controls and related equipment through another of its divisions.

Automation in manufacturing has already stressed the need for standard and newer methods of handling materials. This should mean more business for Link-Belt Co., and Chain Belt Co., manufacturers of conveying equipment, and broader markets for the various manufacturers of rubber belt conveyors, among the foremost of which are Goodyear Tire & Rubber Co., and B. F. Goodrich.

Television will also be more extensively employed in the factory of tomorrow. Remington Rand, Inc., anticipating this development, some time ago introduced its Vericon television system for sending pictures of records from one section of a plant to another by means of a coaxial cable. At one of the Ford plants, scrap is handled by remote control, television making it possible for an operator to control every stage of scrap movement without leaving his post.

No one can envisage the opportunities that should open up to manufacturers of machine tools, electric and electronic devices, communications equipment, process control devices, materials handling equipment such as conveyors, loaders, lifting and positioning equipment. The need for cost-cutting will undoubtedly hasten the trend to automation, creating markets of almost unlimited possibilities for equipment suppliers, with processors of practically every conceivable type of product reaping the benefits of wider markets, higher productivity, better quality, and lower production costs, depending upon the extent of their automation. Obviously, all this has broad implications as to future growth of earnings and a stronger base for dividends for both groups of companies: those extending their automatic processes, and those supplying the equipment that makes automation possible.

WHO GETS THE LION'S SHARE?

In 1953 the Union Oil Company of California did a $325,103,000 business. That's big money. Who gets the lion's share of it?

The employees?

In wages and other benefits, 9,263 Union Oil employees earned $55,564,000. The average per employee: $5,998.

The tax collector?

He did all right, too. Federal and other taxes took $21,821,000.

(This does not include $55,239,000 additional in fuel taxes which we collected for the government.)

The stockholders?

No, the stockholders did *not* get the lion's share.

They were paid $11,690,000 for the use of their money, plus a dividend of one share of common stock for each ten shares of common held. This profit was divided among more than 40,000 people.

Well, who did get the lion's share?

After we replenished working capital by $20,088,000 (over and above the $55,564,000 paid employees, the $21,821,000 that went to the tax collector and the $11,690,000 to stockholders), the lion's share—or $215,940,000—was divided among more than ten thousand companies and individuals we do business with.

Some went for services. Some for materials. Some for wages.

But all of the lion's share of Union Oil's 1953 gross income was reinvested in the American economy. Maybe it helped make *your* job a better one.

UNION OIL 76 COMPANY

OF CALIFORNIA

Buy American and protect your standard of living.

Answers to Inquiries

(*Continued from page* 113)

slightly higher unit sales value. At the same time, added costs for labor, materials, manufacturing supplies and special services somewhat narrowed profit margins.

The second phase of the company's mill expansion and improvement program is practically complete and Gaylord's mills produced a greater portion of the basic materials required for converted products than in 1952. Modern high-speed equipment and improved facilities increased productive capacities at all plants.

The new SHIPPING CONTAINER PLANT occupying 260,000 square feet on a ten-acre tract in St. Louis, is nearing completion and is expected to be in operation by mid-year.

The company has plans for further expansion of its production facilities, particularly in connection with converted products. These plants look toward the company's continued growth.

Reforestation to insure Gaylord's long-range supply of pulpwood continued on its timberland holdings. During 1953, 18½ million pine tree seedlings were planted by the company on these lands, which include what is said to be the largest privately-owned man-made forest in the Americas. The company now owns or controls approximately 473,000 acres in Louisiana and Mississippi, all under the supervision of scientific tree farm management. This is an increase of 11% over 1952.

The effects of Gaylord's MINERALS DIVISION during 1953, were directed largely toward securing additional gas reserves for future requirements of the 26-mile pipeline serving the Bogalusa Paper Mill. This was timely, because major oil companies with interests in Gaylord properties shifted their activities temporarily, at least, to other areas, and work during the past year was confined to only a few locations.

The company will continue to further exploratory developments, and to evaluate mineral potentials, in line with their established policy.

The paper industry is America's fifth largest industry, new uses for paper in packing and shipping are constantly being developed and refined. Contributions made during the recent past by Gaylord" Research and Development Division refer to new methods, new coatings, new materials and new designs for hundreds of items. The list included synthetic rubber, plate glass, hot water heaters, rope, air conditioners, citrus fruits, tomatoes, bulk chemicals, washing machines, stoves and cut flowers.

As to the future of the shipping container industry, the president of Gaylord said that it should grow at a rate at least comparable to the growth in population as many untapped fields and uses remain to be explored.

Dividends in 1953 totaled $1.50 per share and 37½¢ was paid in the first quarter of the current year.

Freuhauf Trailer Company

"Please submit operations information on Fruehauf Trailer Company and its subsidiaries for 1953 and also include financial position."

E. N., Utica, N. Y.

Fruehauf Trailer Company's sales in 1953 reached an all-time high of $193,592,531 – an 18.9% increase over the previous high of $162,809,644 recorded in 1952.

Net earnings, after Federal income taxes, were $6,950,344, equal after preferred dividends, to $4.46 a share on the 1,459,614 shares of common stock. In 1952 net earnings amounted to $5,711,525 or $3.61 a common share.

Sales of civilian freight-hauling trailers during 1953 totaled $136,246,093 – an increase of 11.6% over 1952 and the highest in the company's history. Sales for defense use totaled $57,346,438, also a new record high.

Fruehauf Trailer Finance Company, a wholly-owned subsidiary, organized in 1948 to aid truckers to purchase trailers on a time-payment basis, completed another successful year. During 1953, Fruehauf Trailer Company received dividends from the finance company totaling $1,125,000 as compared with the dividends of $850,000 received in 1952.

Operations in Canada were the best in the history of Fruehauf's Canadian subsidiary, Fruehauf Trailer Company of Canada, Limited, while Fruehauf's Brazilian and French subsidiaries also showed progress in 1953.

As the result of improving inventory turnover, Fruehauf's inventories at December 31, 1953, 1953, were reduced to $41,419,851 from $44,402,157 at the end of 1952.

Company's defense backlog was placed at $31 million. Of this total, two-thirds or approximately $21 million is in connection with the high priority guided missile battery installations and coast-defense programs which are long-range in scope. The company has been producing this type of defense equipment since 1951 and, the production scheduels under the contracts at hand gradually accelerate and extend beyond 1954.

The company's growth has resulted in a steadily increasing need for working capital, which has been provided partly by earnings retained in the business, and partly by short-term bank loans. It was planned by the directors that eventually these borrowings would be replaced by permanent financing in order to straighten the financial structure of the company. Authorization was given to the sale on December 18, 1953 of an issue of $10 million of 20-year 4½% convertible subordinated debentures. The proceeds have been used to pay all short-term bank loans and other than those related to the financing of defense business.

At December 31, 1953, current assets amounted to $80,478,790 and current liabilities totaled $27,467,978. Working capital of $53,010,812 is thus substantially improved from the $42,822,895 a year ago.

The increased use of trucks and trailers by the U. S. Post Office Department to haul mail, and the growing needs brought by decentralization of industry point to satisfactory prospects over coming months.

Dividends in 1953 totaled $2.00 per share and 50¢ was paid in the first quarter of the current year.

Link-Belt Company

"How have Link-Belt Company's sales and earnings compared in the past two years? Has the company been able to reduce operating costs? Please also report the financial position and dividend payments for 1953."

L. A., Indianapolis, Ind.

Link-Belt Company reported 1953 sales of $129,792,444, compared with $126,582,116 in 1952. This marks the third successive year that the company has established a record in sales.

Net income for the year was $7,397,792, or $4.42 per share

(*Please turn to page* 134)

IT BEGAN WITH A RAFT . . .
AND A BOLD ARMENIAN

About 500 years B.C., an Armenian merchant, looking for new markets, resolved to take a "capital risk".

He loaded a raft with stretched-hide containers of asphalt and bitumen, plus a half dozen asses, and floated hundreds of miles down the Euphrates to Babylon.

His venture paid off. He sold his wares at a profit, and he and his crew rode home on the backs of their animal passengers.

So was taken the first step in the water transportation of petroleum products.

Some 2,400 years after, the latest step is taken:

April 20, 1954, will see the launching of the first of four Cities Service super tankers to take their places as queens of the world's oil fleet. Their size and appointments should make even today's tanker men—much less our Armenian friend—gape with astonishment.

They will carry more oil in less travel time than any other tankers in service today. Air-conditioned, with individual staterooms for all, they'll have crew comforts and conveniences never before seen on tankers.

They will be, in short, the latest word in oil transportation. Not the "last word"—for there is no such thing. (The Armenian probably thought *he* had it!) Oil companies will continue to find better ways to move their products—so they can continue to lower the prices you pay for them.

The four new "luxury liners" of the Cities Service fleet are merely the latest chapter in a long, long story . . . And The End Is Not Yet.

CITIES SERVICE

Quality 5-D Products

Answers to Inquiries

(*Continued from page* 132)

compared with $8,039,915, or $4.82 per share in 1952.

Net working capital was $39,480,898 with total current assets of $52,551,820 and current liabilities of $13,070,922 a ratio of 4.0-to-1.

The increase in sales in 1953 is attributed to greater sales in some product lines to consumer industries and to the completion of a stallations. Standardization of additional engineered products, enabling cost reductions from quantity production, also was responsible for acceleration in sales.

The backlog of engineering contracts remains sizable, particularly in the foundry, pulp and paper, chemical and power-generating industries. In the product lines, there has been a steady decrease in backlog, some of it caused by reduction in customers' inventories. The net backlog decreased throughout the year.

The company anticipates a satisfactory year in 1954 though earnings may be somewhat lower. The concentration of effort by all industries to reduce their costs presents real sales opportunities for material handling and power transmission equipment. Many of Link-Belts engineered units are used in recently developed processes which will produce new materials for a large consumer market.

Some industries, particularly those making consumer and capital machinery, have entered the year 1954 cautiously and are delaying their releases of production schedules and orders. There are, however, encouraging signs that this trend may be offset by the use of the company's products on new models of such equipment.

During the year, an addition to the company's Minneapolis plant was built to permit more efficient manufacturing and increased capacity in that area. A contract was awarded for a three-story addition to the San Francisco plant, and land was purchased in Portland, Oregon, for a company-owned warehouse to eventually replace leased space.

Link-Belt's Speeder Corporation completed a service building in Cedar Rapids, Iowa.

Link-Belt Limited in Canada completed its new Scarboro plant in metropolitan Toronto, thus greatly increasing capacity for design and fabrication of heavy processing, conveying and engineered equipment in Canada, and purchased thirty acres on the outskirts of Elmira, Ontario, for future foundry expansion.

The total cost of additions and replacements to property, plant and equipment was $3,663,946 in 1953.

Dividends in 1953 were $2.40 per share and $1.20 which includes an extra has been paid thus far in the current year.

American Encaustic Tiling Company

"Please furnish comparative sales volume and earnings for the past two years of American Encaustic Tiling Company, also dividend payments."

C. E. ,Toledo, Ohio

American Encaustic Tiling Company is the third largest domestic manufacturer of ceramic tile.

Sales for the year ended December 31, 1953 were $8,098,891, an increase of about 5% over the $7,622,249 sales in 1952, an increase of $220,000 in defense orders was part of the increase shown.

Substantial increases in direct wages and fringe benefits went into effect February 1, 1953 and with some increases in the cost of raw materials, added to the cost of production. During August 1953 selling prices were increased approximately 5% and this was a partial offset to increased manufactuirng costs.

The profit in 1953 before taxes was $2,029,367 compared with $2,174,007 in 1952. The profit after taxes for 1953 was $674,367, equal to $1.05 per share, compared with $689,551 or $1.07 per share in 1952. Excess profits taxes for 1953 amounted to $230,000 or 36¢ per share compared with $288,700 or 44¢ per share in 1952.

Dividends at the rate of 60¢ per share were paid during 1953 and this compares with 55¢ per share in 1952.

Balance sheet at the end of 1953 indicated net worth of $4,289,151 compared with $4,001,910 at the end of 1952. Book value per share was $6.65.

Robertshaw-Fulton Controls

"Please submit expansion program of Robertshaw-Fulton Controls, recent earnings and outlook over coming months."

P. R., San Francisco, Calif.

Net sales during 1953 of Robertshaw-Fulton Controls reached a new high of $57,599,369, an increase of 15% over the $50,029,934 reported during the previous year. The increased sales were divided about equally between civilian and defense items.

After provision for Federal taxes, net income totaled $2,649,181. After preferred dividends (equal to 8¢ per common share) this was equivalent to $1.90 on the 1,337,197 shares of common stock outstanding. This compares with net income of $2,552,039 or $1.91 per share on the 1,336,400 shares of common stock outstanding during 1952 when there was no preferred stock.

The expansion program begun several years ago will be continued.

Plans currently are under way for the construction of new buildings at three of the company's divisions, namely Grayson Controls, American Thermometer and Bridgeport Thermostat.

The present plants at Linwood, California, Bridgeport, Conn. and St. Louis, Mo. are inadequate in size and will be sold, according to the company. Proceeds from the sale of these properties will partially offset the cost of new construction and the new facilities will contribute to the company's cost reduction program.

According to the president of the company, "operations thus far in 1954 are continuing at a rate comparable to that of the previous quarter. Although it is too early to predict the coming year's results with any certainty, the probability is that 1954 sales will be slightly below those of 1953. It is expected that rate of defense production will be lower, but will be offset in part by increase in the output of civilian goods."

Dividends on the stock in 1953 were $1.50 per share and 37½¢ was paid in the first quarter of the current year.

Vanadium Corporation of America

"Please advise on volume of business done last year by Vanadium Corporation of America and any new production developments, dividends, etc."

B. T., Eureka, Calif.

Vanadium Corporation of America's volume of business for the year 1953 totaled $43,278,701 a gain of 13% over the previous record high sales of $38,367,411 attained in 1952.

Net earnings after all charges and provisions for federal taxes

(*Please turn to page* 140)

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Keeping Abreast

(*Continued from page* 114)

transmission system now in use.

The largest building project undertaken in New York got under way several weeks ago when ground was broken for the new **Socony-Vacuum Oil Co.,** building which will occupy an entire two-acre block in the heart of Manhattan. The new building will provide working space for about 10,000 persons. It will have a total floor area of 1.6 million square feet; will be air conditioned, and when fully tenanted, will represent an investment of about $45 million.

Sometime this summer, **P. Lorillard Co.,** maker of Old Gold, Embassy cigarettes and Kent, the filter mouthpiece cigarette, will get construction under way for a large, fully integrated cigarette plant in Greensboro, N. C. The new plant, it is said, will be the most modern and efficient of its kind yet designed. The cost of the plant is placed at $10 million, with another $3 million going for initial equipment.

In building a heavy press plant for the U. S. Air Force in Cleveland, a new type of aluminum "sandwich" curtain wall for which a number of virtues are claimed is being employed. The wall is only a little more than an inch thick but is said to have insulation value equal to that of a two-foot thick brick wall. The "sandwich" is made of two sheets of **Aluminum Company of America's** corrugated aluminum between which is a layer of fiber glass insulation. The windows of the building will be translucent corrugated plastic. The new building which, it is stated, will never require painting, covers about 12 acres and will house giant forging presses used to shape aircraft parts.

When completed early next year, **U. S. Steel Corp.'s** new plant at Camden, N. J., now under construction, will produce steel drums and pails for the petroleum, chemical, paint, food and other industries. The new facilities, comprising 168,000 square feet, will have an annual capacity of approximately 2.4 million drums and 3.2 million pails of various sizes.

As a result of the popularity of the "for men only" fllights **United Air Lines** has been operating between New York and Chicago, the company announces preliminary plans for inauguration of the same type of service between Los Angeles and San Francisco. Effective April 25, the new DC-6 flights, to be known as the "San Francisco Executive" and "Los Angeles Executive", will depart daily from their respectives cities at 5:30 p.m.

In the Next Issue

10 Potential Market Leaders

A Year of Improvement...

C&O NET INCOME in 1953 of $48.1 million was the best in twelve years, only slightly less than the all-time record.

EARNINGS a share of common stock were $6.04, compared with $5.66 in 1952. Regular dividends totaling $3 on the common stock and $3.50 on the preferred stock were paid.

MERCHANDISE REVENUES were up to a new record of $155.1 million, 49 per cent of total freight revenues.

INDUSTRIAL DEVELOPMENT activities brought 114 new traffic-producing businesses to C & O's line.

CAPITAL EXPENDITURES improved plant and equipment by $49.3 million.

Chesapeake and Ohio reports on 1953

Last year marked the fourth successive year of improvement in C&O earnings.

Net income was just short of equaling the all-time record of twelve years ago.

Net income increased $3.1 million, although revenues declined $11.6 million from 1952.

How was this accomplished? Vigorous efforts toward self-improvement stimulated our activities. Major additions to physical plant, extensive mechanization, modernization of methods and facilities, all contributed materially.

Merchandise freight revenues continued to rise, setting a new record. Now, nearly half of what we take in for freight comes from merchandise, the other half from coal, the results of a concentrated program to diversify C&O's business.

Coal traffic was good. Aside from the expected drop-off in coal shipments to foreign countries, 1953's coal traffic was only slightly below that of 1952. And C&O continued its leadership as the nation's largest coal carrier—a record it will strive to maintain.

Most of the post-World War II plant improvement program saw completion in 1953. Capital expenditures were just over half of what they were in 1952, and in 1954 they will be much less than 1953. The railroad is in prime physical condition. Power, freight cars, track, roadbed, equipment and structures are all at their peak.

Highest standards of roadway maintenance have been achieved and we have no deferred maintenance.

These underlying elements of strength and stability give us the utmost confidence in the future progress of Chesapeake and Ohio and assurance of good dividends.

Cyrus S. Eaton — *Chairman of the Board* Walter J. Tuohy — *President*

Chesapeake and Ohio Railway

Terminal Tower, Cleveland 1, Ohio

F. W. Woolworth vs. W. T. Grant

(*Continued from page* 101)

ments that lend themselves to this type of operation.

Simultaneously, both companies are strengthening their respective positions by providing the type of store that will have a greater appeal to today's shoppers. Since 1946, to the end of the current calendar year, Woolworth's total investment in new and improved stores will approximate $175 million. During last year alone, the company established new stores in 44 communities where it had not been previously represented. It also enlarged 50 stores in the same location, and enlarged 14 outlets that were moved to new locations. Some of the new, large modern units were opened in metropolitan centers, with new units also being set up in the shopping centers in Canada and the United States that have developed in recent years with the shifting of populations from urban to suburban areas.

Since the end of 1945, Grant has more than doubled its fixed assets which have increased from $18.2 million to a record high of $39.1 million at the close of its fiscal year ended January 31, 1954. In the last eight years it has made a net gain of 18 stores in operation, bringing its total to 502. During 1953, its net capital expenditures, exclusive of expenditures made directly by owners on properties developed for and leased to the company, totaled $7.4 million. This was almost $1 million above net capital expenditures made in 1952. Part of the 1953 program of expansion was the opening of a modern, retail outlet in the new shopping center developed at Levittown, Pa., and an equally up-to-the minute branch in the new park-and-shop location on Roosevelt Road, Philadelphia, Pa. Altogether, a total of seven such branches were put into operation last year with an equal number being established in downtown locations in various states. In addition, 13 stores were reopened in new buildings; 19 stores were enlarged, and nine stores were modernized. These achievements will be surpassed in the current year. Plans for 1954 call for a continuation of a capital program which includes 25 stores in new communities, nine of which will be in new shopping centers; 23 stores to be reopened in new buildings on existing or relocated sites; and six stores to be enlarged or modernized.

Grant has accomplished its expansion and modernization of store units and increased pre-tax earnings from $14.8 million for 1946, to $18.8 million for the last fiscal year with funds derived from internal sources. At the same time it has completely wiped out its real estate mortgages that stood at $6,033,551 at the beginning of 1946. Working capital amounting to $32.4 million at that time has grown to $41.9 million today, while net worth has expanded from $52.1 million to $85.8 million. It closed its fiscal year last January with $3,856,786 of 1953 net earnings, after dividends, being retained for the business, and a ratio of current assets to current liabilities of about 2.8-to-one.

Although Woolworth too, finished its calendar year 1953 in a strong financial condition, it created a debt of $35 million by borrowing that amount from one of the life insurance companies on notes payable, due July 1, 1973, payable in semiannual instalments of $875,000 beginning July 1, 1958. In addition to this loan, the company had outstanding at the end of the year, $16.3 million in obligations in connection with real estate acquisitions. Current assets, including $66.8 million cash and $106.6 million inventories, totaled $177 million against current liabilities of $49.2 million, a ratio of 3.60-to-one.

Both companies are favorably situated to meet competition, and continue to get a fair share of the shopper's dollar. While there is no reason to anticipate any immediately spectacular growth for either, earnings should hold at levels amply covering dividend needs of $2.50 a share for Woolworth and Grant's current $1.50 annual rate which, as a matter of fact, could be moderately increased. At current prices, Woolworth is selling to yield 5.8% as compared to Grant's 4.2%. In any event, both issues are worthy of being held as sound investments with long-range potentials.

STANDARD OIL (INDIANA)

and Subsidiaries

Assets Now Top $2 Billion... Sales at All-Time High... Earnings Increased... Expansion Continued

Total assets of Standard Oil Company (Indiana) and its subsidiary companies passed the $2 billion mark during 1953. The second billion of our assets was built up in less than seven years, compared with 57 years required to build up the first billion. Product sales for the year reached an all-time high. The volume of product sales was up 6 per cent and earnings rose 4 per cent over 1952. Gains also were registered in production of crude oil and natural gas liquids, refinery crude runs, and pipeline traffic. Our vigorous postwar expansion program continued, with capital expenditures for the year again exceeding $200 million to maintain and improve our competitive position. Such expenditures are expected to be even greater in 1954 and 1955, totaling about half a billion dollars for the two-year period. Some other highlights of the year: Construction started on our refinery at Mandan, North Dakota; three new research laboratories were completed; three new Ultraforming units—a development of Standard Oil's laboratories—were started and two more were planned. More new and improved products were introduced by our company in 1953 than in any other year since World War II.

TOTAL ASSETS at the end of 1953 were $2,036,101,000 compared with $1,963,877,000 for 1952.

SALES IN 1953 TOTALED $1,665,000,000 compared with $1,550,000,000 in 1952, highest previous year. Both in total volume and in dollar value our sales were greater than ever before. The volume gain in 1953 of 6 per cent was slightly higher than the average for the domestic industry.

NET EARNINGS FOR 1953 WERE $124,830,000 or $8.11 per share. This compares with $119,980,000 or $7.81 per share in 1952. Our 1953 tax bill was $94,729,000 which was $2,052,000 more than in 1952. Taxes in 1953 were equivalent to $6.16 per share. In addition, we collected from customers $255 million in taxes for local, state and federal governments.

DIVIDENDS of $3.86 per share were paid in 1953; of this, $2.50 was the regular cash dividend and the balance was the value of a special dividend in Standard Oil Company (New Jersey) stock. Dividends were paid in 1953 for the 60th consecutive year. The year's reinvestment of profits increased the stockholders' equity from $88.33 per share at the end of 1952 to $93.39 per share on December 31, 1953.

CAPITAL EXPENDITURES were $209,157,000 compared with $204,293,000 in 1952. Our expansion and modernization program in 1954 and 1955 calls for capital expenditures of about half a billion dollars. About half of this amount will go into development of new crude oil production and reserves. A further increase in domestic demand for oil products is expected.

EMPLOYEES AT THE END OF 1953 numbered 50,870. Our employees received a 4 per cent general pay increase during the year.

STOCKHOLDERS NUMBERED 117,800 at the end of 1953. About half of our employees are stockholders. The largest stockholding by an individual is less than 1% of our total stock; the largest holding of any institution is less than 4%.

This record of progress reflects our improved ability to serve our customers and demonstrates the splendid support and cooperation of our employees.

CONSOLIDATED STATEMENT OF INCOME

and Earnings Retained and Invested in the Business for the Years 1953 and 1952

	1953	1952
Sales and operating revenues	$1,709,510,619	$1,592,122,143
Dividends, interest, and other income	19,893,235	24,772,976
Total income	$1,729,403,854	$1,616,895,119
DEDUCT:		
Materials used, salaries and wages, operating and general expenses other than those shown below	$1,380,053,147	$1,294,419,369
Depreciation, depletion, and amortization of properties—		
Depreciation, and amortization of emergency facilities	66,417,432	58,031,915
Depletion, amortization of drilling and development costs, and loss on retirements and abandonments	46,979,844	37,702,958
Federal income and excess profits taxes	53,055,000	52,551,000
Other taxes (exclusive of taxes amounting to $254,523,000 in 1953 and $236,815,000 in 1952 collected from customers for government agencies)	41,674,330	40,125,708
Interest expense	11,002,150	8,671,862
Minority stockholders' interest in net earnings of subsidiaries	5,395,554	5,410,869
Total deductions	$1,604,577,457	$1,496,913,681
Net earnings	$ 124,826,397	$ 119,981,438
Dividends paid by Standard Oil Company (Indiana)—		
Regular dividends paid wholly in cash—$2.50 per share	$ 38,301,964	$ 38,368,232
Special dividends paid in capital stock of Standard Oil Company (New Jersey)—276,939 shares in 1953 and 278,246 shares in 1952 at average carrying value—together with equalizing cash payments in lieu of fractional shares. Market values on dates of distribution were equivalent to $1.3637 in 1953 and $1.5187 in 1952 per share on Standard Oil Company (Indiana) stock	8,317,523	8,502,709
Total dividends paid	$ 46,619,487	$ 46,870,941
Balance of earnings retained	$ 78,206,910	$ 73,110,497
Earnings retained and invested in the business at beginning of year	854,833,205	773,259,988
Prior years' reserve no longer required for investments	—	8,462,720
Earnings retained and invested in the business at end of year	$ 933,040,115	$ 854,833,205

Copies of the 1953 Annual Report are available on request as long as the supply lasts. Write Standard Oil Company, 910 S. Michigan Ave., Chicago 80, Illinois.

THE STORY IN FIGURES

	1953	1952	1951
FINANCIAL			
Total income	$1,729,000,000	$1,617,000,000	$1,559,000,000
Net earnings	124,830,000	119,980,000	148,700,000
Net earnings per share	$8.11	$7.81	$9.71
Dividends paid	$ 46,620,000	$ 46,870,000	$ 45,000,000
Dividends paid per share	$3.864*	$4.019*	$3.954*
Earnings retained in the business	$ 78,210,000	$ 73,110,000	$ 103,700,000
Capital expenditures	$ 209,200,000	$ 204,300,000	$ 183,100,000
Net worth, at the year end	$1,437,000,000	$1,357,000,000	$1,272,000,000
Book value per share, at the year end	$93.39	$88.33	$83.00
PRODUCTION			
Crude oil and natural gas liquids produced, net, barrels	97,860,000	97,300,000	95,210,000
Oil wells owned, net, at the year end	9,442	9,194	9,043
Gas wells owned, net, at the year end	1,522	1,307	1,106
MANUFACTURING			
Crude oil run at refineries, barrels	204,800,000	185,300,000	187,600,000
Crude running capacity, at year end, barrels per day	612,800	569,000	548,000
MARKETING			
Total sales in dollars	$1,665,000,000	$1,550,000,000	$1,499,000,000
Bulk plants operated, at the year end	4,526	4,539	4,528
Retail outlets served, at the year end	30,900	31,040	31,130
TRANSPORTATION			
Pipelines owned, at the year end, miles	17,540	16,740	16,180
Pipeline traffic, million barrel miles	142,500	138,900	142,000
Tanker and barge traffic, million barrel miles	101,100	97,850	99,510
PEOPLE			
Stockholders, at the year end	117,800	117,600	116,800
Employees, at the year end	50,870	51,440	49,740

*Including $1.364 in 1953, $1.519 in 1952, and $1.704 in 1951, as the market value of the dividends in capital stock of Standard Oil Company (New Jersey) on the respective dates of distribution.

Answers to Inquiries

(*Continued from page* 134)

were a record $3,014,903, or $5.41 per share on the 557,458 shares of capital stock outstanding on December 31, 1953. This profit was 30% above the previous record high of $2,324,321 or $4.17 per share earned on the same share basis in 1952.

The company's expansion program was substantially completed in 1953, but because some portions of the program were not finished until late in 1953, the corporation's operating results did not fully reflect the benefits which may be expected to accrue from this program.

Late in the year, the company began production of a new-very-low-carbon ferrochromium at its new facilities at Graham, West Virginia, utilizing a process developed by a French associated company. In the fourth quarter, the company also installed additional electric furnace facilities at its new Cambridge, Ohio plant. On December 1st a new research center at that location was dedicated.

The company's mining and milling operations were also expanded during the year. Production of vanadium and uranium ore on the Colorado plateau was substantially increased. The company's Southern Rhodesian chromium ore production was considerably increased, too. A new Southern Rhodesian mill to concentrate eluvial and metallurgical grade chrome ore, was placed in operation in December. The corporation increased roaster capacity at both of its vanadium-uranium ore mills on the Colorado plateau at Durango and Naturita, Colorado, during the year.

The outlook for the company hinges upon developments in the steel and other metal industries. Production of steel and especially of alloy steels, declined sharply during the closing months of 1953 and continued to lag in the opening months of 1954. Much of this decline was due to inventory adjustments on the part of metal consumers.

With the completion of these inventory adjustments, producers of alloy and stainless steels will again attain production levels it is expected, consistent with current and future consumption rates.

Dividends in 1953 totaled $2.40 per share and 60¢ was paid in the first quarter of the current year.

Elgin National Watch Company

"I have been a subscriber to your publication for several years and would appreciate receiving late earning data and other pertinent facts in regard to the Elgin National Watch Company."

E. N., Racine, Wis.

For the calendar year ended December 31, 1953, Elgin National Watch Company showed net earnings of $2,048,628 on net sales of $56,720,630. Net earnings increased 32% over the $1,550,127 reported for 1952, and net sales increased 11.7% over the $50,800,191 figure of a year earlier.

The unaudited figures resulted from a current revision in the company's business year, which until last December 31st was on a calendar basis. Elgin has now adopted a fiscal year running from March 1st to February 28th.

Unaudited consolidated earnings before federal taxes on income in 1953 were $3,978,628 compared with $2,900,127 in 1952. The 1953 estimated provision for federal taxes was $1,930,000 against $1,350,000 for the previous year. Net earnings, based on 922,690 shares now outstanding, were stated tentatively at $2.22 per share, compared with $1.68 in 1952. Larger sales of watches was one of the factors in the 1953 improvement, and a growing volume of imported movements in the spe-

(*Please turn to page* 142)

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Answers to Inquiries

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cialty and lower-price fields contributed importantly to the total sales volume.

A second factor in the improvement was the continued success of the company-wide expansion for greater operating efficiency and a third factor was the growth of the diversification program. In 1949 more than 98% of Elgin sales volume came from American-made watches; but in 1953 with the addition of ordnance work, imported watch movements, abrasive products and other items, American-made watches represented somewhat less than 75% of total sales.

Business for the first two months of 1954 had been below last year's level, reflecting very heavy watch inventories in jewelry stores. Elgin has a vigorous promotion effort to move these inventories into the hands of consumers.

Dividends in 1953 were 60¢ plus 5% in stock. A 15¢ dividend was paid in the first quarter of the current year.

20th Century-Fox—Loew's

"Have been disappointed in the action of my two movie stocks, 20th Century-Fox and Loew's. Can you give me any information on these two, relative to their prospects?

—J. G. B., Chicago, Ill.

Motion picture company shares, after a precipitate drop in market value, particularly violent for 20th Century-Fox when surveyed from its high of 63⅞ in 1946 to a 1952 low of 15 prior to the divorcement of the theatre properties, appear to have turned the corner. This is particularly applicable to 20th Century-Fox as it is now constituted, its shares having moved up from a low of 10½ to current high of 21¼. Two forces are contributing to the more encouraging outlook, one being evidence that the public is again turning to the motion picture theatre for entertainment, and the other, the great improvement in motion picture presentation that 20th Century-Fox CineaScope method of filming and projecting has made possible. This change for the better did not find full reflection in 1953 earnings ($1.65 a share) inasmuch as the company's first CineaScope picture, "The Robe", which was so enthusiastically received by the public, was not released until last October, while other CineaScope "hits", as measured by box office receipts, were not shown in theatres until much later in the year. Earnings statements for 1954 are likely to show satisfactory recovery from recent low levels, providing a broader base for the current $1 a share annual dividend rate. The stock is worth holding for possible further market improvement.

Loew's market action which carried the stock down from a high of 18¾ in 1949 to a low of 10⅝ in 1953 was actually a continuation of the downtrend that set in during 1946 following the i ssue's move up to a high of 41 in that year. Recent action of the stock which has recovered, at the moment of writing, about three points from its nadir reflects the more optimistic opinion that prevails as to the future of the motion picture companies. However, Loew's earnings statement for the fiscal year ended August 31, 1953, showing 85 cents a share does not support this view since net was just enough to cover the 20 cents quarterly dividends. The more cheerful outlook therefore, is based rather on the improving attendance at motion picture theatres, the rigid economies being effected coupled with the recently adopted course of producing higher quality pictures which the public will pay to see as has already been proven. Loew's also has adopted CineaScope, its first production under this method being "Knights of the Round Table" that had its premiere early this month. The stock must be regarded as speculative but is worth retaining for its long-range possibilities.

Two Shoe Companies

"Would be appreciative if you would compare the earnings of International Shoe with those of Endicott Johnson."

F. K., Miami, Florida

The four year low at 36⅜ for International Shoe was established in May, 1952, the decline to this level reflecting disappointment over the failure of 1951 earnings to match the good showing of the previous year. Some further selling of the shares was undoubtedly caused by the belief that 1952 net, based on indications of lower first half-year's results, would go even lower. As it turned out, net for the 1952 year, amounting to $2.44 a share, fell below 1951's $2.61 a share and made a poor comparison with the $3.22 a share earned in 1950 when the stock sold at 46⅜. 1953 earnings made a better showing. Aided by acquisition of Florsheim Shoe last March, sales of International for the year ended Nov. 30, 1953 increased from $217 million to $251 million, producing net for the stock equal to $2.93 a share, as compared with $2.44 a year earlier. This was more than sufficient to cover the present dividend rate of $2.40 annually. Current assets of the company as of Nov. 30, 1953, amounted to slightly over $125 million and included $10.1 million cash and $1.4 million of U. S. Government securities, the total being in contrast to $39.6 million in current liabilities. Although there does not now appear to be anything tangible on which to base an expectation of an immediate broad recovery in the price of the shares they are worth holding for income and long-term potentialities.

As the second largest shoe manufacturer, Endicott Johnson with the aid of its normal base stock method of inventory, has maintained relatively stable earnings. Net income for the fiscal year ended Nov. 30, 1953, after inventory adjustments, equalled $2.23 a

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Answers to Inquiries

(*Continued from page* 142)

share, down from $2.82 a share the year before. The company, as disclosed by its Nov. 30, 1953 balance sheet continues to maintain its usually strong finances. The shares, lacking attraction from the standpoint of pronounced market possibilities, characteristically move within a narrow range, the greater appeal of the issue being its reliability as an income producer, having paid dividends without interruption in each of the last 34 years. The stock is worthy of retention for income and for a possible moderate price improvement over the long-term.

The Trend of Events

(*Continued from page* 72)

which have just been made available, show an increase of from 5% to 14% as compared with the corresponding period last year. Although an increase has been expected, its size is surprising.

Higher bank profits are due less to an increase in gross, which has been very slight, arising mainly from higher interest on rates on loans, than to a greater return from interest and dividends on securities held. Switch-operations in the final half of 1953 were on a very large scale and enabled the banks to increase their income. At the same time, they were able to accept deductible tax losses on a favorable basis.

A further factor in the improved showing of the banks was a distinct slowing-down in the recent year's increase in operating expenses. Apparently, this arose from a contraction in the rate of salary increases as well as a decline in the volume of purchases of new equipment. It is probable that for the first time in years banks will no longer have to cope with rising operating expenses. This might encourage executives of banks to eventually adopt a more liberal attitude toward dividend payments.

INVESTMENT OBJECTIVES . . . For many years, we have urged investors to develop sensible investment programs that fit in well with their individual requirements. This advice cannot be repeated too often. For newer

readers, in particular, we think it timely to state some basic principles worth learning:

1) There is no such thing as absolute security in investments. Even U.S. government bonds can lose in real value in a period of inflation.

2) The selection of securities should be based on careful investigation, with the object of conforming strictly to the investor's needs and financial capabilities. One type of security may be suitable for one class of investor and not for another. Individuals requiring the highest degree of safety cannot afford to invest in securities which contain an overriding element of risk. This would apply especially to the "widows and orphans" group. On the other hand, businessmen and professional people have much wider scope, dependent on their income and financial status.

3) Long and short-term investment objectives should not be confused; but both may be maintained simultaneously. It is advisable to have two portfolios, one for long-term investment purposes and the other, for short or medium term speculation. The investor should clearly distinguish between investment and speculative activities in the operation of these portfolios.

4) Stocks purchased for investment should be selected mainly on the basis of company management over a long period of years and confined to the strongest companies in the industry. Management performance can be conveniently gauged on the basis of long-term earnings growth and dividend stability. Where these basic elements are lacking, the stocks should not be included among investments. However, these qualities are not necessarily basic to speculation which is generally confined to shorter range objectives.

Government Public Works

In recent years, public works have accounted for about one-third of total new construction, with State and local outlays being about double the Federal. In 1953, construction for State and local government account amounted to 7.1 billion dollars, and for Federal account to 4.1 billion, out of a total expenditure for new construction of 34.8 billion dollars. The back-

(Please turn to page 146)

Government Public Works

(*Continued from page* 145)

log of desirable Federal, State, and local public works is counted in tens of billions of dollars. Although the rate of public construction has been rising significantly in recent years, it is much smaller than what is needed to keep abreast of the growth of the economy and to eliminate within, say, the next decade the accumulated need for extensions or improvements of highways, schools, hospitals, sewer and water facilities, parks, forests, and other elements of the public estate.

The largest current requirement for predominantly State and local facilities is streets and roads. It has been estimated that an annual expenditure of 3.5 billion dollars would be required for ten years to eliminate the existing backlog for Federally aided systems and another 1 to 2 billion dollars for other roads and streets. In the meantime, many roads now adequate would need to be improved as traffic increased, or rebuilt because of normal wear, adding over 1.5 billion dollars of construction annually, while maintenance costs would average another 1.7 billion. Thus, the total annual expenditure required to provide an adequate road system within a decade is apparently over 8 billion dollars, which compares with a current outlay of about 5 billion.

The next largest State and local backlog is for schools. It has been estimated that approximately 10 million pupils now have inadequate school facilities, and that the required construction of public and private elementary and secondary schools to erase this need would come to over 12 billion dollars. Elementary and secondary school enrollments over the next four years will grow about 1.5 million a year, which, together with normal replacement of obsolete schools, would add an annual construction requirement of about 3 billion dollars. A total annual expenditure of about 5.5 billion dollars would therefore be necessary to meet current needs and to eliminate the backlog of such school facilities within five years. Clearly, the needs of education cannot long be deferred.

The backlog for college and university construction is reported to be in the neighborhood of 6 billion dollars. About $2\frac{1}{4}$ million students are now enrolled in institutions of higher education, and by 1960 the number may approximate 3 million. If the construction backlog were worked off over a period of 10 years, and the additional facilities required for current growth in enrollment were put in place, the expenditure would average about $1\frac{1}{4}$ billion dollars per year. By adding this figure to that for primary and secondary school structures, we get an estimate of $6\frac{3}{4}$ billion dollars per year for school construction, which compares with a current rate of about 2.5 billion.

—*Economic Report to President*

BOOK REVIEWS

How and When to Change Your Job Successfully

By WALTER LOWEN

During the past thirty-four years Walter Lowen and his staff have placed more than a hundred thousand job-seeking men and women in positions ranging from junior clerks and secretaries to vice presidents and presidents.

On the walls of Mr. Lowen's offices are several hundred inscribed and autographed photographs of business celebrities, one of which reads:

"To Walter Lowen . . . who does more for them than their mothers did."

Now Mr. Lowen has put the distillation of his unique knowledge and experience into a book to help millions. He knows that the major problem for the job-holder is whether to stay on hoping for promotion, or to move on to seemingly greener pastures. In this comprehensive book, he answers every question and makes every answer practical, specific, and far reaching.

Simon and Schuster $2.95

The Spider King

By LAWRENCE SCHOONOVER

Louis XI of France, the subject of this immensely absorbing biographical novel, was forced to struggle against odds that would have broken an ordinary man. Feared and hated by his father, opposed by the decadent nobility, driven by his own consuming ambition and cursed with a misshapen body that lodged a terrifying malady, Louis had good reason to despair, but this he never did. Instead he exhibited great and constant personal courage, sagacity and a fervent idealism which, in this violent era, the end of the Middle Ages, made him the herald of a new and better era, a glorious dawn that would be called the Renaissance.

It is a true story. But the meticulous reconstruction of historical fact, the result of inexhaustible research, is not the main achievement of this book. Even more noteworthy are the range of Mr. Schoonover's ingenuity and inventiveness, his extraordinary ability to dramatize and quicken his material with life, and his sheer, unflagging narrative force.

Macmillan $3.95

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